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Conference of Representatives



Grain Trade of the United States

NEW YORK

April 30—May 1, 1918

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CONFERENCE OF REPRESENTATIVES
of the
GRAIN TRADE OF THE UNITED STATES
held under the auspices of the
UNITED STATES FOOD ADMINISTRATION
GRAIN CORPORATION

At the Chamber of Commerce of the State of New York

New York, April 30th, 1918, 10 A. M.

JULIUS H. BARNES, Chairman,
President, Food Administration Grain Corporation,
Duluth, Minn.

The following delegates were present :

John H. Adams, Tri-State Country Grain Shippers' Association, Minneapolis, Minn.
E. C. Andrews, Merchants' Exchange, St. Louis, Mo.
A. J. Ames, S. F. Grain Trade Association, San Francisco, Cal.
G. W. Anderson, New Orleans Board of Trade, New Orleans, La.
C. Lee Abell, City Elevator Exchange, Buffalo, N. Y.
F. E. Barker, Ohio Grain Dealers' Association, Hamilton, Ohio.
D. F. Benson, Minneapolis Chamber of Commerce, Minneapolis, Minn.
Harry B. Bingham, Indianapolis Board of Trade, Indianapolis, Ind.
D. L. Boyer, Missouri Grain Dealers' Association, Mexico, Mo.
H. I. Baldwin, Illinois Grain Dealers' Association, Decatur, Ill.
Henry M. Brouse, Cincinnati Grain & Hay Exchange, Cincinnati, Ohio.
G. A. Breau, Louisville Board of Trade, Louisville, Ky.
Chas. T. Ballard, Louisville Board of Trade, Louisville, Ky.
A. B. Black, Chas. Kennedy & Co., Buffalo, N. Y.
Alfred Brandeis, Division of Enforcement, U. S. Food Administration, Washington, D. C.
Alexander Baille, Seattle Chamber of Commerce and Merchants' Exchange, Seattle, Wash.
H. N. Bean, H. N. Bean & Co., Philadelphia, Pa.
Eugene Blackford, Baltimore Chamber of Commerce, Baltimore, Md.
G. S. Carkener, Kansas City Board of Trade, Kansas City, Mo.
H. Crome, General Public, Winnipeg, Man.
G. N. Cassity, Oklahoma Grain Dealers' Association, Tonkawa, Okla.
U. F. Clemons, National & Oklahoma Grain Dealers' Association, Marshall, Oklahoma.
Robert R. Clark, St. Joseph Grain Exchange, St. Joseph, Mo.
R. L. Callahan, Louisville Board of Trade, Louisville, Ky.
Geo. S. Colby, New Orleans Board of Trade, New Orleans, La.

L. C. Chase, The Ohio Millers' State Association, The Mansfield Elevator Co., Mansfield, Ohio.
 W. T. Cornellison, Peoria Board of Trade, Central Grain Exchange, Peoria, Ill.
 A. Cohn, Merchants' Exchange, Portland, Oregon.
 F. T. Caughey, Detroit Board of Trade, Detroit, Mich.
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 John Dickson, Grain and Hay Exchange of Pittsburgh, Pittsburgh, Pa.
 H. B. Dorsey, Texas Grain Dealers' Association, Fort Worth, Texas.
 F. A. Derby, Topeka Board of Trade, Topeka, Kan.
 C. N. Dannals, Atlanta Commercial Exchange, Atlanta, Ga.
 H. H. Dewey, Peoria Board of Trade, Peoria, Ill.
 E. C. Eikenberry, Grain Dealers' National Association, Camden, Ohio.
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 Geo. W. Eddy, Boston Chamber of Commerce, Boston, Mass.
 Charles England, Chamber of Commerce, Baltimore, Md.
 Edgar H. Evans, Acme-Evans Co. of Indianapolis, Board of Trade, Indianapolis, Ind.
 L. W. Forbell, N. Y. Produce Exchange, 342 Produce Exchange, New York City.
 J. R. Forsyth, Denver Grain Exchange, Longmont, Col.
 John M. Flynn, St. Joseph Grain Exchange, St. Joseph, Mo.
 O. D. Fisher, Merchants' Exchange, also Seattle Chamber of Commerce and Commercial Club, Seattle, Wash.
 Paul J. Fransioli, Tacoma Chamber of Commerce, Tacoma, Wash.
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 W. T. Greely, Northwestern Grain Dealers' Association, Great Falls, Mont.
 L. G. Graff, Commercial Exchange, Philadelphia, Pa.
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- F. S. Staley, General Auditor, Grain Corporation, New York City.
- W. I. Beam, Chief Accountant, Grain Corporation, New York City.
- H. M. Smith, Export License Division, Grain Corporation, New York City.
- C. N. Hitchcock, Office Manager, New York Office Grain Corporation, New York City.

MR. OUTERBRIDGE—Gentlemen, on behalf of the Chamber of Commerce of the State of New York, it gives me great pleasure to welcome you here to this hall, and to place the facilities of this building at your disposal for this Conference.

You have come, I understand, from all parts of the United States, and there can be no doubt that you realize the importance of this conference that you are going to attend, and that on its decision there is at stake as great an influence on the progress of the winning of this war as there is on anything that the Con-

gress of the United States can do or has to do, or on a Cabinet meeting, or even on a decision of the President, as Commander-in-Chief of all these forces. And no doubt you are also all feeling that many of the things which it is necessary to do in these days causes a serious and strange interruption to the ordinary progress of business, and constitutes the necessity for a great deal of sacrifice on the part of every one. But, after all, if we stop a minute to think of it, and think of the sacrifices that the young men of the country are making, how serious those sacrifices are, and I don't mean the ultimate sacrifice, but the hardships of life which they incur in going abroad to fight. That seems something further away. And the old saying is that hope springs eternal, and that we are guided by hope that the particular ones in which we are especially interested will perhaps come back. I mean the sacrifices that they make when they give up the daily rounds, the associations of their early days and their youth and the comforts of home, and go out into the life which is planned for them, for every moment from the time they get up until the time they go to bed; no choice as to anything what they must do, or what they must wear, or what they must eat; and if we stop and think what that means to young men who have been brought up in this land, where our history is that of peace and our institutions were designed only for peace, and where they have all been led to believe that civilization had reached a point where nothing could disturb that peace. And therefore I know, in approaching this great subject, that you gentlemen are going to be actuated by the same spirit of patriotism and the same spirit of sacrifice, where you in your individual businesses are called upon to meet it, as the gentleman to whom I am now going to turn over the conduct of this meeting, and led by a man who perhaps has made as great a sacrifice as anybody else in these United States from the very beginning of the war as any man has made—Mr. Hoover. I am quite sure that you will decide those things for this country, and that our Allies will be ever grateful to you. I have the pleasure to turn over this meeting to Mr. Barnes (applause).

MR. BARNES—I want first, on behalf of the Grain Corporation, to thank you gentlemen who have responded to the invitation to come and discuss these serious war problems which form an important part of the food business of this country. Many of you have come a long distance and at considerable sacrifice and inconvenience. To those we extend especial thanks. I know that you appreciate, as I do, the courtesy and hospitality of the

Chamber of Commerce of New York in extending these facilities which make it possible for us to meet in such an atmosphere and amid such surroundings. Those of you from the newest West can hardly appreciate the continuity of existence of this body as expressed by the 150th Anniversary. But we all have hopes in the West that we shall develop a sound and safe organization.

I take the liberty, therefore, of thanking the Chamber on behalf of you and ourselves for this great courtesy. I know that some of you have expressed surprise that a meeting of this kind could not have been held at some point in the Central West. One of the considerations which led us to select New York is one which has to-day fruited into realization, that I could open this meeting with the inspiration, the advice, the assistance, the guidance of the man whom we have all learned to respect and admire. Nothing that I can say will add to the responsibility and dignity of his office. And with that introduction, I present to you our Chief, Mr. Herbert C. Hoover (applause).

Mr. HOOVER—The subject which you have gathered here to discuss is that of the method of marketing of next year's wheat crop. It is a matter of the greatest importance and of the utmost solicitude. It is a subject upon which we are desirous of securing the views of all elements of the community.

I had the pleasure of first meeting the representatives of the various associations interested in the grain trade on August 15th last year. At that time we were just emerging from the period of abnormal speculation in wheat that had taken place in the latter part of the 1916-17 harvest year. This speculation had sprung from the entire dislocation of transportation in the world's wheat trade, due to the war. The bitterness of this experience was then in everyone's mind. It furnished overwhelming evidence and unanimity of views of all of the thinking men of this country as to the necessity of some form of control. Your representatives were insistent that this should be done although the method of it should entail considerable sacrifice in your normal and legitimate business.

There is perhaps little necessity for me to review the economics of the grain trade over the recent years to you gentlemen; on the other hand, it does tend to clarify ideas if I review the recent events in the trade and if I restate the fundamental economic views which the Government holds in this immediate matter. There is no way that I can better illustrate the subject than to re-survey the history of marketing of our last three harvests.

Such discussions always lead into review of prices and it is therefore necessary to define at the outset the method of arriving at such data. To my mind in reviewing those phases of the wheat trade there are three datum points. First, the real price to the farmer for his wheat; second, the price to the consumer for flour; and third, the differential between these two, which difference includes the costs and profits of transportation, grain dealing and milling. It also includes the cost and profit of speculation. In arriving at such data it must be remembered that the farmer of necessity markets the bulk of his wheat over the early part of the harvest year. Therefore the average price which the farmer receives for his wheat is not the sum of the daily market quotations throughout the year, less handling charges, but must be a weighted average of the seasonal time of his marketings. The Department of Agriculture annually estimates the average price which the farmers actually receive for all their wheat and those figures represent the true return to the farmer, not the average of daily quotations. On the other hand, the consumer buys his flour from day to day in fairly equal amounts throughout the year and the price paid by the consumer is therefore fairly well the average of daily quotations for flour. In other words, what the farmer receives must be estimated a weighted average, what the consumer pays is an arithmetical average. I wish to emphasize this point, as it is so much the foundation of misapprehension and ill-founded discussion of those problems.

We can approximate the differential between the farmer and the consumer fairly clearly if we take the usual consumption of $4\frac{1}{2}$ bushels of wheat at the annual average received by the farmer as representing the farmer's receipts for the raw material of a barrel of flour. On the other hand, to determine the actual price paid by the final consumer of flour is very different, owing to the great differences in qualities, packages, freights, wholesale and retail costs, etc. We can, however, find a datum point sufficient for purposes of illustrating this discussion if we take the average price of flour at say all Minneapolis mills as representing broadly the foundation upon which the consumers' prices are based. If with these fundamental yardsticks we survey the history of marketing the last three harvests we find some very illuminating figures.

The harvest year coincides very closely with the fiscal year and if we review the course of prices upon these bases we can formulate the following tables :

Harvest Year.	Average Realization of Farmer† Per Bushel.	Raw Material of One Barrel (4½x1).	Average Price of Flour at Mill Door, Minneapolis.	Average Differential Between Farmers and Flour.	Highest Differential Between September and June.	Lowest Differential Between September and June.
1915-6	\$0.98	\$4.41	\$6.09	\$1.68	\$2.71	\$0.81
1916-7	1.44	6.48	9.88	3.40	9.26	.50
1917-8† ...	2.01	9.05	10.15	1.10	1.60	.90

* Department of Agriculture figures.

† Since control mid-September.

The 1915 harvest year was a fairly normal marketing year, somewhat disturbed, however, by war. The 1916 harvest year shows the violent force of war disturbance. The 1917 harvest year is one of control. We consume approximately 110,000,000 barrels of flour per annum, therefore the cost of handling the grain, the milling and speculation cost nearly \$200,000,000 more in the 1916 harvest year than either the 1915 or the 1917 harvest. It is also interesting to note that while the farmer for the 1917 harvest is receiving about \$2.50 more for the raw material of a barrel of flour, at the same time the mill-door price is but 27 cents per barrel over the average of 1916 harvest and is \$6.80 less per barrel than the maximum price reached in 1916 harvest year.

Those are not merely dry figures, for in their worst aspects they represent acute human suffering. When flour went to \$16.75 a barrel at the mill-door in May, 1917, no one will deny that the greatest hardship resulted from it and no one can deny that this started a dislocation in our entire economic life. I am not one of those who accuse the grain trade of having been responsible for this situation. The European governments with their shortening shipping had been compelled to abandon the more remote markets in the world and had established single agencies in this country for the purchase of their necessary food-stuffs in competition with our own people. They had to have food to live and they were prepared to pay any price to live.

In normal times the stabilization of the price of wheat may be likened to the level of water in a vessel which is connected by pipes with several other vessels. The pipes connecting these vessels are the lines of ocean transportation and in ordinary times the transportation flows over these routes as easily as water

through an open channel and an automatic price stabilization is maintained throughout the world. But the channels connecting Australia, India and the Argentine had been cut off or restricted and our market was without any balance wheel. A series of speculations sprung up that were deplorable beyond words. But a microscopic portion of this speculation was of deliberate or vicious nature. There was no concerted manipulation. There was a total disturbance to the law of supply and demand and with skyrocketing prices, 350,000 distributors of wheat and flour in the United States naturally marked up the price of the goods already in their possession as quotations rose. It was inconceivable that our people should be subjected to repetitions of these events throughout the period of the war if we were to preserve tranquillity and efficiency.

Our situation for the 1917 harvest was even more grave and difficult than that of the 1916 harvest, because in 1916 there was a sufficient supply of wheat not only for our own consumption, but for an export surplus actually realized of over 203,707,598 bushels. The 1917 harvest was subjected to a great climatic catastrophe and our stocks from the previous year were the lowest in many years; in fact, less than one month's need. Our farmers had increased the total area of 1917 wheat to next to the largest in our history, but the winter killing had resulted in 38% of abandonment and a low average yield, and while the whole crop was estimated at approximately 650,000,000 bushels, we now find from the actual marketing returns plus present estimates of farm holdings that it did not exceed 620,000,000. Taking out our normal consumption and food requirements, we were faced with scarcely 20,000,000 bushels surplus for export. The same climatic conditions which affected our 1917 crop had also affected the crop of the Allies, and the needs of the Allies were greater because of the further shortage in shipping and consequent farther isolation of remote markets.

Our one dominant thought at this time was that not only must our own people be fed, but we were eating at a common table with the Allies and that we must divide our wheat loaf with them, scant as it might be.

The question arises daily as to why the Allies cannot use more corn and leave us the wheat. The superior value of wheat as breadstuffs lies alone in its durability and its palatability, not in its nutrition. We have no right to ask more hardship of the Allies than of ourselves. Beyond this, however, lies a long range of practical questions. Their people are ignorant of the

art of making corn bread; they have little equipment for home baking; the life of corn meal is short; there is a lack of corn mills in Europe; it is difficult to ship corn during the germinating season. They do mix all the other cereals and potatoes in their loaf that it will stand and still be a loaf. Their war bread to-day is less palatable than our loaf or our corn bread. The loaf to the entire Allied world has this year been a short loaf—and ours has not been the shortest. The installation of bread tickets and limited rations among all of them is the vivid proof of our common shortage in supply of wheat.

From this situation we had last summer to confront two important issues:

First, we must reduce consumption inside the United States to a point that would provide the necessary margin for the Allies, and

Second, we must take such measures as would protect our own people from the experiences in distribution of 1917.

Careful consultation with our Allies indicated that if we could provide a margin to them which amounted to a reduction of our consumption by about 10% they could pull enough from other localities accessible to their shipping. But, owing to the further shortage of shipping and the demands for ships for more rapid transportation of American soldiers, the Allied supplies from the more remote markets have been further curtailed, and later in the year their demands upon us increased up to a point where we are now shipping 50% of our mill output. They are doing their part, however, for they have reduced their whole cereal consumption by 30%, to provide us ships for more soldiers. They are to-day living their appeal for more soldiers by sacrificing their daily bread.

We had three possible measures open for the reduction of consumption:

First, rationing.

Second, to allow the market to take its untrammelled course and rise of prices to where consumption falls.

Third, to obtain a voluntary reduction of individual consumption by simpler living, economy in waste and by substitution of other cereals, of which we had a greater abundance.

Any system of positive rationing in the United States bristles with difficulties; a large part of our population produce their their own bread stuffs; our consumption varies greatly with locality and more greatly with their purchasing power—

generally speaking, the less the purchasing power, the greater the reliance on bread in diet. Any material ration would be filled with inequalities and injustices to be avoided to the last moment. Rationing would have been enormously expensive, would have necessitated a large bureaucratic organization and the draining of man-power from war to that of non-productive occupation.

It had been contended by many that the vast adjustment in consumption would be obtained by allowing price levels to rise without restraint. I have reiterated often enough that reduction in consumption to the extent that we require by increasing prices is to place the wheat bread out of reach of those sections of the community who have the least purchasing power and that this whole conception is based on conservation for the rich and against the poor. The poorer sections of our community would have paid in suffering and the better-to-do classes would have paid in price.

Any repetition of rising price levels such as those of the 1916-1917 harvest year, would have meant an enormous profit to the middleman and would have inspired the foundation of social discontent from this reason alone, if no other.

In considering the problem, therefore, we determined upon a line not hitherto applied, and the success of which we now believe is complete and one which will be remembered as one of the glories of the American people in this struggle. That is, that we should place the basis of reduction almost wholly upon a voluntary footing. We have supplemented this with restrictions on retailers designed to prevent hoarding by the selfish, by requirement of cereal mixing by the bakers and by increased extraction from our millers. We are anxious to preserve the wheat basis of the loaf to our industrial community; to secure our conservation not from the necessities of the poorer sections of the community, but by saving out of waste and out of the plenty of the well-to-do. This is an appeal directly to self-sacrifice of those who can spare. I do not believe there is another nation in the world in which the proportion of individuals of so willing a sense of voluntary self-sacrifice is so high as this people of ours and nothing has demonstrated it more finely than the conservation in wheat. Today there is no suffering in the United States and we are actually shipping 50% of our monthly mill output to the Allies.

The second problem with which we were confronted was that of the elimination of abnormal speculation and to provide

some substitute for the law of supply and demand. This law is not sacred. It can and has worked the most intense hardship. Its unchecked operation might even jeopardise our success in war. Suppose that we had allowed the commerce in wheat to take its untrammelled course, assume that we had made no attempt at reduction in consumption, that we had done nothing to stabilize price, that we had allowed our exchanges to continue trading in wheat futures, that we had allowed the Allies to come to our shores to bid against our own people for 30% or 50% of our actual bread supply. What would have been the results?

In the first instances the Allies would naturally have made sure of purchase in our market to the amount of wheat that they required. They would have purchased their requirements during the early part of the harvest year when the supplies were available and our population would have continued to consume so that by this day all classes of our community would have been totally without wheat-bread. To-day the price of flour, instead of being from \$10 to \$10.50 at the mill-door, would have been anything from \$30 to \$50 per barrel. The \$16.75 maximum of 1917 would have been looked back on as cheap flour, for, bear in mind, that the 1916 harvest yielded a sufficient surplus for our own consumption and afforded the Allies the surplus they needed; whereas, the 1917 harvest was short of export requirements by fully 130,000,000 bushels. If there was suffering in May, 1917, as I am too well aware that there was; if there were food riots in New York City in the winter of 1917, what would the position have been in this country in this winter of 1918? I do not wish to indulge in overdrawn statements, but scores of our best observers have informed me time and again that rioting would have been experienced in all our centers of congested population, of a violence that leads to blood in our gutters. In the least result we should have had a total instability in the cost of living, a total instability in the wage levels of the country and consequently an enormous loss in national efficiency during the period when our national efficiency must be at its maximum if we hope to survive as free men.

There are matters of psychology rather than of economics connected with the price of wheat breadstuffs and these matters are of the deepest importance. The criterion of the cost of living to the poor is the price of wheat-bread. The lower that we descend in the scale of economic resources in our population, the greater do they rely on loaf for food. Furthermore, wheat

and flour are to a great extent psychological governors of other cereal prices and therefore of meat prices. We need no better proof of this than the sympathetic rise in price which took place in the other cereals when it was recently proposed to raise the price of wheat to \$2.50 a bushel. The text that "bread is the staff of life" may not be based upon dietetic foundations, but it has been instilled into hundreds of generations of humanity until it has become the psychological standard of living and of values.

These were the things to which we looked forward last summer and we felt it our duty to prevent with every atom of authority that lay within our power the disasters that lay on the horizon. All disruption of normal commerce is an evil. We had to choose the least evil. We determined to stabilize the price of wheat in order that we should eliminate all speculation either by farmer, distributor, miller or baker.

In determining the steps of stabilization of prices our first consideration must be the position of the farmer, for even were we devoid of a sense of justice our own interest for future production required that we look ahead to the next year beyond.

In making a determination of a stable price, of such wide importance to so many millions of people, I did not consider that any one man's judgment should be final and therefore the President, upon my recommendation, assembled a commission of eleven men, of whom six were farmers, and gave to them the duty of determining a fair price for wheat in this national emergency. These men came to the unanimous conclusion that \$2.20 for No. 1 Northern, at base markets, represented a fair average profit to the farmer and the Food Administrator was directed by the President to maintain that price.

Certain sections of the community have ever since been rife with opinions and discussions of this operation. We were told that it was uneconomic; that it was unjust; that we should not limit the farmer's income without some limit on the things he buys; that limitation of the price would stifle production. I am aware that these are all possible evils and dangers. The sole question is, however, the relative evil of the various courses with which we were faced. The greatest danger in all such operations is the stifling of production. The existence to-day of probably the greatest growing acreage of wheat in our history should be final refutation of this hysteria.

Much of this discussion has revolved around self-interest, lack of ability to balance between various factors and dangers,

around ill-founded data and around exaggerated gloom. Certain fundamentals are often ignored.

The first is, that with regard to no other of our food products has there been a demand for export so far above our surplus. Of all the other grains together, we export less than 2% of our total supply and we had available this amount as a surplus, whereas, as I have said, in wheat we must export 30% from our own normal needs and not from surplus. In no other foodstuffs has there been such an entire distortion of the real functions of distribution in the unrestrained play of the law of supply and demand. It is the intention of the Government not to interfere in price or distribution of any commodity unless it shall be rendered imperative, to minimize suffering at home or among the Allies.

Second, the price of wheat was stabilized at a level higher than the other grains, not only to do justice to the farmer, in a short crop, but to give him stimulation to further effort. Even during the exaggeration of prices due to the total dislocation of our railway transportation for two months last winter, wheat has been, so far as the actual producer of the grains is concerned, still the highest price. It is true, as to buyers of other grain in certain localities during this period, that some of them were temporarily at a higher relative level. That situation has largely remedied itself with freer transportation. While there is justice in the statement that the farmer's income should not be limited while his expenses go on uncontrolled, a careful study will show that the increase in farmers' costs during the war did not amount to the percentage increase in the price of wheat. It is true that in some localities in the semi-arid regions last year the farmers did not make a profit at the price set. On the other hand, in ordinary years a failure in these regions would have had no compensation. I have the deepest sympathy with all hardship, but neither the commission which studied the matter nor I were able to devise any method for the farmer whose land had failed to respond by which he could obtain a correction out of our present distribution system.

The real question that we have to consider is as to whether the price assessed by the commission for wheat was just or unjust to the majority of farmers and whether or not it was assessed at such a level as to imperil production. So far as the justice or injustice of it is concerned, it is not a question to be determined by comparing it with the price of rye, but a question as to whether

the farmer received a proper compensation for his labor and capital.

These are not times when any man, whether farmer, workman, manufacturer or grain dealer, has a right to take one cent of profit over and above his pre-war normal earnings, otherwise he is taking money from the blood and sacrifice of the nation to-day. I agree entirely with the contention of some farmers that they would have received \$5 and perhaps \$10 a bushel for wheat had it not been for the restraints imposed by the Government, but I would say to these farmers that they would have been taking money not only from the blood of our soldiers and from the suffering of the poor sections in our consuming centers, but every farmer in this country would himself have paid fifty times over in the national damage resulting in reactions from labor and instability in our population that would have thundered at the farm door sooner or later. But the quality of justice in this case is now capable of proof. We have to-day an acreage planted in wheat to all appearances larger than ever before in our history. Do you suppose this would have been the case if the price were unjust? Furthermore, there is a danger in \$5 wheat too often ignored; such a price would lead to overwhelming planting, and land better adapted to other purposes would have been invaded. Over-production, slump in prices and damage to our animal industry and meat supply would result from ill balance of production.

In order that we should stabilize the price of wheat, our first duty to both producer and consumer was to eliminate absolutely every shred of speculation in the staff of life. In order to carry this out we, of necessity, had to close the dealing in wheat on the whole of the grain exchanges. We had to prevent speculation in the community itself by limiting the period which an individual could hold possession of the commodity. Having thus eliminated speculation, we had to inject the Government as a buyer to take any surplus of wheat that came to the market. In order that the fair price should maintain we asked the millers of the country not to pay more than the fair price and a majority of them have adhered to it. Furthermore, as a mass of wheat was dammed back in other parts of the world which would flood the markets in event of peace, we had to guarantee the millers that we would re-buy it at the fair price. The result has been that through our guarantee the farmer would be able to realize the fair price even in the event of peace; that the trade has pro-

ceeded largely in the normal channels, direct from producer to consumer.

Last summer when we called your representatives together we placed before you our plans. We asked your advice and we explained to you that these plans meant an elimination of some portion of your normal business; it meant losses and hardship to many of you, and I recollect no finer exhibition of patriotism amongst the American business community than the constructive advice and the approval and encouragement which you gave to us in the bold course that we were about to undertake. No man can say that your advice was tempered with self-interest for it amounted to self-denying ordinance without parallel in our commercial history.

Now it has developed in these operations during the year that that section of the grain trade who have suffered most have been exporters, dealers upon the grain exchanges and the large terminal elevator operators. The country handlers of wheat and those of you who operate between the millers and the country elevators have been able, under the arrangements that we made, to continue your business and maintain your staff and operations. The trade in other grains has at least maintained most of the others in business.

So far as I know, the whole of the grain trade is intact to-day and is able, over-night, to assume its normal function in the distribution of wheat to our own population any moment that the government finds it possible to withdraw. There has been no destruction to the normal commercial machinery of the country nor do we propose there should be. It has, to some extent, suffered in its normal operations, but that sacrifice, heavy as it may have been to some individuals in the trade, is a sacrifice of which the grain trade may well be proud. Others, too, are sacrificing more than money.

There is another direction in which leaders in the grain trade have earned the gratitude of the country. That in order to carry out the large operations by the Government through which we have purchased and sold to date over 313,000,000 bushels of wheat and flour in terms of wheat, we found it necessary to erect a new and strange engine of the Government, and that was a department for the purchase and control of our wheat supplies. In order that our buying operations might conform as nearly as possible to commercial usage, that it might be free from red tape, and in order that it might be able quickly to carry on effectively the work required of it, we formed a corporation as

an incident to carry out our plans. In order to secure competent and able management for this corporation, I called upon some twenty members of the grain trade to act as its managers in various centers. I felt it necessary to make one condition in drafting these men from your trade, and that was, that they should disassociate themselves absolutely in every particular from the grain trade and that they, like the men in France, should volunteer to service of the Government for no remuneration and have no interest but that of our country in its distress. They accepted this great personal sacrifice.

I need not enumerate, in addition to Mr. Barnes, the whole of the list who have carried out this operation through the year in so distinguished a manner as to make us justly proud. They are well known to you and they will all stand—each in his own community—as a leader in patriotism and devotion to national service.

In addition to regulation with regard to trading in wheat, it has been necessary in this period of semi-famine to impose regulations with regard to millers' profits, with regard to the profits of wholesalers, of bakers and to stipulate for methods of conservation in commerce and distribution. Everyone of these items, like those of stabilization of the price of wheat, have again been the choice of evils. No one has more reluctance than I to disturb the ordinary course of commerce. We must, however, measure all these things by the results attained. We have now proceeded far enough with the harvest year to assess these results. I believe that all of you will agree with the fundamental fact that the farmer has had 40 per cent. more for his wheat than from that of the previous year. He has had 131 per cent. more than his pre-war average. The amount that he has received has been a balanced stimulation to further efforts, as witness our present acreage in wheat.

I think you will all agree that there has not, during the whole period of the war, been a year when the differential between the farmer and the consumer has been so low as it is to-day; that there has been a complete absence of speculation in our price of breadstuffs. There has been no disturbance to tranquillity in the country due to extortionate prices of bread. We have considered the Allies as guests at our board. We will all pull through this year—the year of the lowest production of many years in wheat and the year of intrinsically short production in our other prime grain—that is, corn.

The year is now coming to an end and we can begin to look

forward. We are now entering upon a season when we can begin to contemplate the next harvest. Our farmers have this year put forward their patriotic exertions, under great handicaps in the shortage of labor and other difficulties. So far this season God has been good to us in climatic conditions. With a larger acreage of winter wheat this year than we had last, we have a percentage of abandonment that apparently will not exceed 10% as against 32% last year. And in addition to this, our advices indicate anything from 19,000,000 to 21,000,000 acres of spring wheat, making one of the largest growing acreages in many years. The condition of both winter and spring wheat is promising.

At the present moment our crop prospects look anything from 800,000,000 to 900,000,000 bushels of wheat. The harvests of the Allies also look promising. With this prospect we now have ground for hopes of plenty for ourselves and our Allies, and instead of famine we can look forward to an entirely different economic situation this year from that which confronted us in the summer of 1917. Nothing would give us all greater pleasure than to see unlimited white bread on every table, our own and the Allies'.

The problem as to how we will handle the next year's harvest requires grave consideration, but it cannot be determined until we have the harvest safely in hand and know accurately its volume. I do not believe that determination can be finally made until some time next July or August. In any event, we can relax the restrictions on dealing in wheat to some extent in proportion to the surplus. We cannot, however, tolerate any speculation in the nation's bread during the war. It is the desire of the Government to return to the normal marketing distribution just so far as conditions permit, and my personal desire is to re-install the law of supply and demand at the earliest moment the situation warrants. But how far we can return on the road to normal life depends, as I have said, entirely upon the size of the harvest.

There are many features in the marketing of next year's wheat which will require consideration. One of these is that the Government has given a guarantee of \$2.20 for No. 1 Northern to the farmers. No other industry has such a guarantee. This guarantee does not extend to the purchaser from the farmer. In other words, it does not follow the wheat to the grain dealer nor to the miller. The development of this problem in such manner as to maintain the flow of wheat in the country will require some thought. I do not conceive that with 400,000,000

to 500,000,000 bushels of Australian, Argentine and Indian wheat hanging over the market, and available upon the advent of peace, that any dealer in wheat or flour would care to have any considerable amount on hand, for any man who has such a surplus in the event of peace, might find himself faced with the stoppage of export market.

Another factor which we will have to consider for next year is the situation in our internal transportation. With the congestion of our railways, even though we had a large surplus of wheat, it might be impossible to move it rapidly enough to give the farmer opportunity to sell before June, 1919, as the law demands. We might, beyond this, again be faced next crop year with the situation where, due to stricture in railway transportation, there might be a repetition of the phenomenon which we witnessed this winter in corn, which would result in a total dislocation of the market and the price to the consumer rise far out of all proportion to the price paid to the producer.

We want the best thought and the best opinion that we can obtain. Last year we obtained valuable advice from you gentlemen and no man can say that you will not advise us without self-interest. You proved that last year in depriving yourselves of an appreciable part of your normal business and normal profits.

We should always bear in mind that a depth of sentiment surrounds wheat. This sentiment has grown through two thousand years of instruction to our children that bread is the staff of life and through their morning prayer for our daily bread. When starvation confronts a people this prayer becomes visualized as wheat itself. For three years, 3,000,000 bushels monthly of North American wheat, largely from the charity of the world, has been literal daily bread of 10,000,000 of human beings on the long bread lines of Belgium and Northern France. To those of us who have doled this scant allowance, wheat becomes indelibly the precious symbol of life and to those people it is the symbol of the greatness and charity of America.

As the result of this war there are large masses of people actually starving to-day. In addition, there are enormous populations suffering actual privation, and in the midst of this the wheat loaf has ascended in imagination of men, women and children as the positive emblem of national survival, national tranquility, national ability to continue in the war. We have in the distribution of this commodity above all others a duty

that far transcends mere commerce: it is a duty in humanity and a duty in our self-defense. Its improper handling can spell more privation, more starvation, with danger to national efficiency, to failure in war. Its handling must be in a spirit by which our commerce will have passed from gain to that exalted idealism which underlies our national character.

There is a story yet incomplete and yet to be written around wheat. You will recollect that Frank Norris planned three novels, two of which were completed in his lifetime, the third of which he had outlined. The first of these, the "Octopus," represented the hardships of the producer and scantiness and dreariness of his life and the impositions under which he suffered. The second represented the Chicago wheat pit, the manipulation, the violence and horrible avarice which grew out of rampant speculation with the world's bread. The third, I understand, was planned to represent the privation, suffering and even starvation imposed upon the consumer by our gigantic failure in honest distribution. Many of these evils have already been eliminated by constructive work of our grain trade by the development of our national conscience. But when this war is over it will be possible to write this third volume, not in Norris' despondent and despairing tones of tragedy, but if we do our duty it can be written in terms of triumph. For to-day if we do that duty it will represent, so far as we are humanly capable, the honest and fair treatment of the farmer, the lifting of his level of life, the abolition of speculation, the honest and economic distribution of our daily bread. We will have managed the scantiness in supply of this almost famine year of 1917, not by the privation of the poor, but by the self-denial of the better-to-do and its royal sharing into the hands, on one side, of those of the Allies who were giving their life blood to preserve our institutions and, on the other, given as charity to that mass of liberty-loving people who have been oppressed and strangled by the world's greatest enemy.

If Norris could have lived he would have found this—"The Song of the Wheat" as a theme in the world's regeneration.

Mr. BARNES—With regret I have to announce that Mr. Hoover has another engagement which he must keep, and he cannot stay with us longer. I know you have greatly appreciated what he has said to you, and that he has created an atmosphere in which we may safely discuss the conduct of our business of another year, keeping in mind the high ideal of

public service which this year has met. I express thanks, on behalf of myself and the gentlemen present to Mr. Hoover.

Mr. DORSEY—Let us have the privilege of expressing to Mr. Hoover our appreciation of his coming here and giving us the facts and workings and so forth of the administration—give us the privilege of rising as a vote of our appreciation of his appearance here today.

(Motion seconded and carried.)

Mr. BARNES—Gentlemen, it was my intention to sketch in the background, a background of more or less cold and lifeless figures, behind which is hidden the living and tragic story of this year's operations with respect to our contributions by way of aid to the Allies, which has been most gratefully received. I feel that any effort that I could make in that direction might mar the effect, the inspiration of Mr. Hoover's so clear and plain, yet idealistic presentation of this great problem of food distribution, and I shall not attempt it. I want to comment on just this one point, because I feel that much of the attitude which you assume, much of the manner in which our discussions are received, may be affected by my ability to convey to you the idealism that has impressed itself on our organization, and that it has made us safer and better advisers than if it had not reached us. These seventeen men who, in response to Mr. Hoover's suggestion, divorced themselves from their business interests, some of them at considerable sacrifice, some of them disassociating themselves from the occupation of a lifetime, so that their decision may not be consciously or unconsciously influenced, and that those decisions may have your confidence as well, because of that disassociation.

I should fail in my obligation to them if I did not tell you that I had seen from day to day, from week to week, and from month to month, this growing feeling of idealistic responsibility on the part of men whom you know as your every day comrades, whom you trust, as Frank and Charlie and Harry, and unless you get this picture before you of the roll-top desk and the daily humdrum of commercialism, it will drive from you the fact that these men have consecrated themselves in the public service. And after hearing Mr. Hoover this morning, you can appreciate that no man, if he has intelligence, can fail to respond to the leadership which we have received. I know that it has been attacked on the

ground that it makes a dangerous atmosphere in which to transact business. I don't believe it. No business ever became great and retained the confidence and respect of its associates unless it had always a measure of idealism, and to talk about public control in the hands of volunteers, experienced volunteers, without idealism, under the horrible strain of this war, with a direct contact with these people who rely on us, is impossible.

I know that in this last year's operation, successful as we believe it to have been in accomplishing those objects imposed upon us by the President and his advisors, the stabilization of prices to secure our home needs and a direct contribution of every possible effective aid to the Allies, have been accomplished. I do not claim that any other methods might have been worked with less strain upon your established businesses and income. Perhaps so. That is a subject for argument.

It is in the desire to lighten in every way the burden of that public control that we have asked you to consult with us. As Mr. Hoover has said, definite plans for the coming year cannot be decided or promulgated until a fair and accurate estimate of the materials with which we are to work can be made.

We desire to take up the different trades one by one in order to make a more definite and certain progress, to discuss, if you please, the regulations and policies necessary in regard to distribution, to discuss how far the entire plan of regulation can be relaxed if we do succeed in securing a plentiful supply, and see if we cannot agree upon certain hypotheses that can be worked out later; see if it is possible to select a small Advisory Board representing the different trades that we can call in consultation with us, in a manner which it is impossible to do in this large gathering. I reasonably expect, if it is possible, before we close this gathering—and I speak on the assumption that this Conference will last into to-morrow—before we part I hope we can devise some plan by which such standing Advisory Board can be selected by the various trades, and I promise you that we shall, with a due measure of responsibility, knowing the ends which must be served, and demanding that you give weight to the wider experience which we must have had in these different matters, that we must listen most carefully to every suggestion made. I would remind you that as early as May 17th last, almost a year ago, a large delegation of grain men made their recommendations to Mr. Hoover. In the same month a delegation of millers con-

firmed the necessity of certain features of public control. On June 26th we called together the grain men of the country to discuss a tentative plan. On August 15th, two months later, the details of that plan had been mapped out, and on August 25th it was presented to the trade and unanimously approved.

I know that some have made the criticism that there was presented a well matured, hard and fast plan for your approval or rejection. I did not like that attitude, because I feel that as far as we could have consulted the trade, we did. I would remind you again, that a month later, on September 24th, at the National Grain Dealers' Convention in Buffalo, of 600 or 700 delegates, I presented the matter again, and the result again was a unanimous expression and approval as being the soundest and safest and most promising method of accomplishing the end sought. I wonder if you realize how much of our time has been taken up since that date with individual consultations. Now, we have listened patiently many times to the same arguments which have been presented many times before, and I do not believe that we have built up in our organization any bureaucratic control or temper or inclination which will disregard the slightest word of advice without the fullest consideration.

In the discussion which I hope you will enter into freely, there is no angle or phase which you cannot discuss freely and present your views. In this discussion, as I say, there are certain rules which I wish you would observe in order that the record may be made most clear and intelligible. Will each one of you, when you rise, please give your name and your city. We may know you, and many of you know each other, but the stenographers do not, and the other gentlemen in the room who listen to what you have to say would also like to have it identified with the individual.

The Chamber of Commerce, which has so kindly tendered to us the use of this room, also request that there be no smoking in this room. I know that you will all observe that.

It is desired by us that the cards of registration be filled by every delegate and be turned in, so that we will have a complete record. If any of you have not filled in these cards, will you please secure them at the door and see that they reach the stenographers before you leave.

Gentlemen, if you have any suggestions as to the manner of approaching a discussion of these questions that occur to you as being better or more direct in accomplishing our ends than this tentative programme, please present them.

MR. LINDERHOLM—In Mr. Hoover's discussion this morning, he says that the price of \$2.20 is the price guaranteed to the farmer. Naturally we have been under some misapprehension in regard to that, and I understood that the farmer was guaranteed a price of \$2.00, and that the President's Proclamation made these prices broad enough so that the country dealer and the terminal dealer could get some profit intervening. Now, it puts us up to the position to pay the farmer that amount, and everyone knows what a hard matter it is to buy wheat from the farmer and get just what is coming to you in the way of dockage and grade. For that reason there would have to be some hard and fast rule governing the country buyer as well as the inspector, or any other buyer that comes to market. What I want to get clear is where the basic price starts.

MR. BARNES—I wish we knew. I wish we knew. We have got to develop these questions, these problems. We have got to develop the method of meeting them the same as we had to develop this last year's control. The Congress of the United States passed a Federal Food Control Law which was very ineffective. If it had not been for the voluntary agreement and co-operation of the trade, there could have been no control this last year. The law is ambiguous enough so that it may be interpreted that the guaranteed price made effective by the proclamation of last February at \$2.20 may actually apply only to the actual purchaser, but we hope not. We can appreciate what it means for 18,000 country dealers to try and buy grain from the purchaser unless there is some price to stand on which he can ask. There must be a basic price, or the whole trade is in a more chaotic condition than it was last July and August, before the Federal Food Bills became effective. That is the reason we are starting out at this time to try and solve these problems.

MR. PIERCE—May I ask one question. I think I understood from Mr. Hoover—I think I understood him to say in his address that we must expect to take some control of wheat prices this coming year—some control; not perhaps the absolute control we had last year, but some control. Is that a correct understanding, Mr. Barnes?

MR. BARNES—Mr. Hoover certainly made the statement that any food product in this country would be controlled in some way if the need developed.

MR. PIERCE—So that we have to state two propositions. The minimum price guarantee as established by the Government is

\$2.20, and on the top of this some kind of a maximum price control. If we could get these ideas fixed in our minds I think perhaps it would save some time in the discussion outlined in your programme.

Mr. BARNES—Yes, I think I may go so far as to say that it is Mr. Hoover's hope that the crop this year will be of sufficient volume that no maximum control will be necessary. If that should be true, there would be perhaps a field of competitive business developed around that level, and that is what we really hope to see. Gentlemen, do you want at this time to discuss the new problems, or would you prefer to take up this past year's operations and outline to us those particular phases which have borne hardly upon the various trades. What is your pleasure?

Mr. PIERCE—Mr. Chairman, if you will allow me again. This programme seems to be excellently devised, to take the matters up in their proper order. I think if we can get the country elevator situation out of the way and passed, there may be some time to discuss the other features. (Laughter.)

Mr. EIKENBERRY—I would suggest that the better plan would be to follow the programme you have outlined and let us have a discussion of the problems that have developed.

Mr. WAYNE—I see the first you have on the programme here is the country elevator service. It seems to me that it would be advisable to allow the country interests, if it is possible to get them together, to talk over the matter. I understand that there has been a Committee of the Terminal Markets here in New York for some time discussing the elevator problems, and I think it would be nothing more than right to give them a right to decide what they would like. If the chair would allow us a little leeway, possibly we could get together immediately.

Mr. BARNES—Gentlemen, you have heard the two suggestions. What is your pleasure?

Mr. LINDERHOLM—I would like an expression from Mr. Barnes as to how we should proceed. It seems to me that he called us all here from all the corners of the earth, for the purpose of getting the ideas of these people, and whether or not we have the time to present these items briefly so that we could have all the benefit of them, or whether we should go off in sections I should like to know, and I should like an expression from Mr. Barnes on that proposition. Of course, I belong to the country

trade, the country dealer. I don't take it that is the elevator man, but the country dealer in all its phases, and before I should be willing to follow Mr. Wayne's suggestion I should like an expression from Mr. Barnes as to whether or not it should be carried out as has been here suggested, or whether we should get together and come in with a concrete idea.

Mr. BARNES—I should say that most of these trade questions do reflect and dovetail with the most of the problems of other sections, and there should at some point be a joint and common discussion. But if it were possible for those in the grain business to get together and report, for instance, as to No. 1, or as to the limit of storage last year to thirty days or that it was in the public interest and did no harm, or vice versa, and that we could then discuss them in the meeting; and so on all down the list. Is it possible for that section of the grain handlers to put the question in that way?

Mr. —————I don't think there would be any discussion on No. 2.

Mr. BARNES—And so on down the list.

Mr. MULLIN—I represent, Mr. Chairman, a company that is the owner of about twenty mills and more than one hundred elevators, country elevators. In case this gentleman's motion prevails, I would like to know where I am at. I only raise the question——

Mr. BARNES—I should conceive, Mr. Mullin, that you would be entitled to enter into a conference that would affect country dealer methods. You don't object, do you, Mr. Dorsey?

Mr. DORSEY—No.

Mr. BARNES—What do you think of the suggestion?

Mr. EIKENBERRY—That is a very excellent plan, but I think I should suggest that you direct the meeting as you deem best. The country grain trade, I am sure, is able to come to a conclusion on the various questions which have been set forth, and can do so, if you desire that they should do so and can come in with concrete suggestions. The same thing is true of the terminal elevator trade. They can follow the same plan, and I think it is a very excellent plan.

Mr. ———Do I understand from your suggestion that you would have the country elevator interests retire and consider one of these, or consider the whole——

Mr. BARNES—Consider the whole.

Mr. EICKENBERRY—I further want to say that I think that when the matter is returned and is open for discussion, that it should be done in a meeting of the entire body.

Mr. BARNES—Yes.

Mr. EIKENBERRY—Because it affects the different branches of the trade and it should be considered by the entire delegation.

Mr. BARNES—What is the general feeling of the delegates on that?

Mr. EIKENBERRY—The object is to arrive at definite conclusions, and we will welcome the trade going through the list presented and return definite data and definite suggestions.

Mr. BARNES—What is the general feeling of the delegates about any such division into certain groups.

Mr. ———I will make a motion that the different interests be divided up and that separate conferences be held and that they bring in general reports to the general meeting.

Mr. BARNES—Would it be your suggestion that we hold no afternoon session to-day and that you plan to hold this secondary meeting this afternoon——

Mr. EIKENBERRY—I should prefer, Mr. Barnes, that we do not do this by motion from the floor; that suggestions come from Mr. Barnes.

Mr. BARNES—Mr. Eikenberry, we are greatly desirous of having an expression of the entire delegation. Some of the gentlemen may not want that general policy pursued.

Mr. EIKENBERRY—You have at any time the power to bring that up by a vote.

Mr. SAGER—It occurs to me that the interests of the grain trade are so common in many respects and converge so inevitably into each other that I feel if it is possible for us all to have the benefit of a common conference, common advice and joint co-operation that the result of our efforts might more fully reflect the well seasoned thought of the entire grain trade, much more so than if we broke up into separate groups and simply brought in recommendations representing merely one phase of the trade. I would like to know whether there are others who share that view with me?

Mr. DORSEY—Mr. Sager has expressed a great deal better than I could myself and better than I did the thought that was in my mind. That was my idea. I believe that the fullest co-operation between all branches of the trade is necessary to the economical handling of the business. We are all more or less interested in each other and in the handling of the business. We want to do all we can for the Government in this great crisis. I think that the plan or programme as indicated by you in this tentative programme here, which is to take it up and follow it out, limiting the discussion to brief statements or brief discussions, will bring us much more benefit than if we were to split up into separate committees. I favor that idea in preference to going out in different committees and coming in and presenting something that is peculiarly beneficial to particular special branches of the trade, without considering the whole trade generally. It seems to me that we ought to remain here in conference, getting the benefit of an exchange of ideas, and that in that way the best interests of all will be served because we all are equally and mutually interested in the matter.

Mr. EVANS—I accept your suggestion as to the manner of handling our problem. It is now about 12 o'clock. I suggest that we take an hour for the consideration of the country dealer problems and suggest that the consideration of the problems be limited to discussion by individuals to only three minutes each. I also suggest that after adjournment we take up the terminal problems in the same way. If we do not have some definite limitation on the time to be occupied by each individual there is danger of talking on indefinitely without coming to any definite conclusions. I also suggest that after we adjourn our meeting this afternoon then these different interests can divide and meet at any time or any place and discuss the subjects from their particular standpoints and present tomorrow something very definite as the result of their deliberations individually.

Mr. DORSEY—The country is a big thing and it takes us all in. I should be willing to leave that entirely to the discretion of Chairman Barnes. When he thinks we have reached the limit of endurance in our individual discussions, I have no doubt that Mr. Barnes, because of his experience and because of his profound grasp of each of the subjects to be discussed, will be able to control the length of time to be devoted to each subject. I think that is the best plan to pursue and I, for one, am entirely willing to leave the procedure of this conference entirely in his hands.

Mr. MOORE, Kansas City—We have several problems in the discussion of the questions before us in relation to grain distribution. We must all realize that the producer raises the grain, but before he gets it into edible shape the miller has to grind it. The country at large has the greater interest, of course, in eating it. Before you evolve a constructive plan that is workable and satisfactory, those three interests have got to get together—the country elevator man, the terminal market man and the miller, to work out one constructive plan covering the entire subject.

Mr. MAGNUSON—I think in starting this Convention our presiding officer stated that he would be very glad to work in harmony with the Conference in any way that would produce proper results. It strikes me that we can work out our problems here separately, that is, the country end of it can work out its problem and make a recommendation. In the same way the terminal elevators can make their recommendations. It is also true that the millers, if they want to, can in the same way make their recommendations. Then we can refer the matters to this proposed committee, suggested in the opening remarks of our Chairman, to work in harmony with President Barnes of the Grain Corporation. In that way we may avoid an open discussion of the matter which, perhaps, will lead us nowhere and will take up a great deal of time for everybody concerned, including the President of the Grain Corporation. I therefore suggest that the propositions before us be taken up from that standpoint and let the country grain dealers formulate their ideas and the same with the terminal grain dealers. If the millers want to make suggestions along that line let them do so. I think, however, that their organization has been well taken care of during the last year.

Mr. PIERCE—Has that motion been seconded?

THE CHAIRMAN—No.

Mr. PIERCE—Then we cannot speak to it.

THE CHAIRMAN—You may, on special dispensation.

Mr. PIERCE—Then I will second the motion in order to speak to it. I understand that this very well selected programme was made up to be used to establish certain fundamental principles in handling this country business which may be used ultimately to work into a general plan. If the country elevator men should meet by themselves and if the terminal elevator people should meet by themselves, and if both branches of the trade should

thereafter bring in their recommendations to this general Conference, it would take considerable time for each of them to thresh out their ideas before us and it would take just as much time for us to discuss them as if we were to discuss them now in general conference. That would merely double the time consumed in endeavoring to arrive at a solution of our problems. Another long period of time would be taken up to reconcile the recommendations and the ideas of the Conference on those recommendations, wherever they needed any reconciliation. It seems to me if we may proceed along the lines suggested by Mr. Evans and take this programme up in detail without giving too much time to any individual that we will make much better progress and much more satisfactory progress. Besides that, there are many here almost equally interested in the country elevator business and in the terminal elevator business and also in the commission business. I do not exactly comprehend how you could separate such individuals into conferees at three different committee meetings (laughter and applause).

The CHAIRMAN—How would it do if we tried a combination, that is, take this programme and discuss those items that we can agree on quickly and without too much discussion. If any of them should present unusual difficulties and require too much discussion for a satisfactory solution of the problem, then those might be referred to the consideration of the particular men interested. Is that satisfactory and practicable?

Mr. PIERCE—It certainly is to me. (Many members signify their approval.)

The CHAIRMAN—Then let us start with the programme as a working basis. Our first division is that in relation to country dealer problems. Let us take up the first sub-head, Limitation of Storage Period, and let us have your expressions regarding the effect of the limitation of storage period on country elevators last year. Has any grower or anybody suffered injustice by the movement of wheat into commercial channels that have been greedily waiting for it? Has it deprived the country elevator of income?

Mr. MULLEN—I suggest, Mr. Chairman, that the time is too short and I suggest that it be extended to 60 days. The present limitation is entirely too short.

Mr. MAGNUSON—I was going to suggest that we had a preliminary meeting last night at which some of these things were

threshed out. Some things have been recommended and I do not see any reason why those conclusions as arrived at in that way may not now be presented, so far as they are tenable under this presentation which you have submitted. They were agreed to before the meeting already held and the subjects have been very thoroughly threshed out. There is a general understanding that the conclusions arrived at are correct and I do not see why they cannot be presented here.

Mr. Eikenberry presided at that meeting last night. I wish, unless there be objection, that that might be done. Is there any objection to Mr. Eikenberry presenting briefly the result of our conference?

The CHAIRMAN—I have no objection.

Mr. EIKENBERRY—Mr. Chairman, answering Mr. Magnuson's suggestion, I certainly have no objection to stating the results of our conference. I defer entirely to your wishes as to the proper time to present such concrete conclusions as were arrived at during our previous conference.

The CHAIRMAN—Then, following your suggestion, Mr. Eikenberry, let us discuss right now any suggestions as to a new plan, following our programme. Let us discuss the problems that have developed this year as to how they are bearing upon the trade. Give us, in that way, a clear idea of where they have borne on you and how the limitation of the period has worked, in your judgment.

Mr. EIKENBERRY—Your idea is to present our conclusions as we take up the different parts of the programme now before us?

The CHAIRMAN—Yes. Let us speak now as to the effect of the limitation of the storage period in country elevators.

Mr. DORSEY—I agree with Mr. Mullen. I think that 60 days, with a stabilized price, would not be very much of an incentive to hold the grain. I do not think that even is a sufficiently long time. A longer time would not be too long. If we had no stabilized price, that would be a different proposition. I do not, however, see any incentive in the present plan to induce the elevator man to hold his grain for any length of time. With the question of transportation and other elements entering into our problem, it seems to me 60 days is not too long.

The CHAIRMAN—Not only for the elevator owners but for their customers?

Mr. DORSEY—Yes, not only for the elevators, but for the customers, and for the Government, as well. We must not forget to bear that in mind as the maximum.

Mr. MULLEN—Yes, as a maximum.

Mr. PRICE—Mr. Chairman and Gentlemen: I represent the National Council of Farmers' Co-operative Association, which conduct 300 elevators. I hope it will not be a reflection on me if I admit here in this presence that I also am a farmer. I don't know whether anybody else here is a farmer or not, but Mr. Wayne is quite an extensive farmer.

Mr. WAYNE—Here is one.

Mr. PRICE—Now as to that limitation of storage period. What does that mean? Do you have to get it out within a certain time?

Mr. DORSEY—Yes.

Mr. PRICE—Or is there a penalty attached to it if you do not get it out in six months? How about our difficulty when it is impossible to get cars from the railroad in which to move the grain?

The CHAIRMAN—You cannot, of course, accomplish impossibilities, but you have no right to store beyond 30 days.

Mr. PRICE—Mr. Chairman, we don't want to store it, but then there is no penalty if we cannot get it out. Does that force you to store wheat in preference to any other grain? I mean, as if we had soft grain in there. Would that force you to move that wheat before you moved that soft grain?

The CHAIRMAN—It would, if we called on you to enforce that regulation.

Mr. CLARK—I understand when the word grain is used that wheat is meant?

The CHAIRMAN—We are discussing wheat now. Let us set coarse grain aside for separate discussion.

Mr. SHERWOOD—In the operation of the country elevators and in consideration of the 30 days' storage period, we necessarily take into account the period a farmer might wish to store in a country elevator. With the knowledge that there is to be

no fluctuation in price, I assume that during the ensuing year the farmers will be no more inclined to store wheat in the country elevators than they have been during the past crop season. The elevator owner would certainly have no object in holding wheat on hand in his elevator any longer than it would take him to get it into cars and put it into transportation and get his money out of the wheat.

The country mill, the mill removed from points where terminal stocks might be carried might find it necessary to carry wheat in country elevators, and we found it necessary to carry wheat in country elevators where they are located a distance from terminal stocks, where they must provide their supply of wheat for their mills during the crop movement period and hold it for the balance of the milling year.

Therefore I would suggest, Mr. Barnes, that the 30 day period for the farmers is quite sufficient. That generally would give him time to get his crop in and, if he wanted to sell his crop, cash his crop in one large item instead of load by load, the 30 day period would give him quite sufficient time to do that.

It seems to me that if the country elevator had instructions to ship wheat immediately upon taking it in it would be quite satisfactory to the country elevator. It seems to me, also, that some special arrangement, such as special terms which have been effective in the past, should be continued in the future, where there is some special reason like the country miller holding his supply of wheat for future use in country elevators.

MR. SMILEY—With the price fixed we do not see there is any incentive whatever for the farmers to rush any part of his crops in until there is sufficient transportation secured to move it. We anticipate in our State this year, if present conditions are maintained and with a wheat crop approximating 100,000,000 bushels, that it will require approximately 75,000 box cars to move that crop from the farms to the manufacturers and it will require another 75,000 cars to move that product of the grain to the consumers. We cannot conceive that it is possible, under existing conditions, for that number of cars to be furnished the State of Kansas within six months after the harvest period begins. But we do realize this. I think I fully realize it, having met with probably as many farmers in the State of Kansas as any other man in the country, that almost without exception they are determined, if possible, to move their wheat immediately after it has been threshed (applause). This being the case, this

being true, the question of storage, of limited time of storage in country elevators, is of little consequence to us. I think I voice the sentiment of the entire elevator ownership of the State of Kansas when I say they are discouraging as far as possible any storage of grain in country elevators by the farmers (applause).

MR. MULLEN—I think I can say that I know what this gentleman says is correct, that the tendency of the farmers will be to sell during the year. But, if you please, where I am located transportation facilities have been very bad all the past year and the farmers haul their wheat a long ways. Many farmers spend more than 30 days in getting their crop into the market. They send their hired man or their wife or perhaps a child to haul in grain 15 or 20 miles or farther out West. The fact that this time limitation might be extended to 60 days would not prevent a man disposing of his crop within ten days, but there comes a time when you cannot get transportation facilities, when transportation facilities are not available. But in case an elevator man might say to a farmer, I don't care to buy your wheat now but if you will leave it here with me I can store it 60 days as a maximum and prior to the expiration of that time we will be able to dispose of it, that would be something worthy of consideration. That was the object I had in view. Limiting the time to 60 days need not necessarily result in the farmer holding his wheat 60 days. He may sell it the next day, if he can do so. But where the transportation facilities are short, as they have been during the past year, I think it will be a great help to the farmer to be given the privilege of storing his wheat a longer period than 30 days, if he sees fit to do so.

MR. LASKER—In considering the question of the limitation of the storage period for wheat we must also consider the elevator belonging to the mill. Sixty days would not be any too much. If we limit it to 30 days and there is a car congestion it means that though there might be plenty of wheat in the country the elevators would have to shut down. In consequence the supply of flour would not be as great as it should be, besides which, for economical milling, the miller should always have a certain amount of wheat on hand in advance. Therefore I think if this rule is going to affect the country elevator it will also affect the elevator belonging to the mill and 60 days should be the limit and not 30 days.

MR. LINDERHOLM—The President's Proclamation was brought up and discussed. If I read it correctly and if the President's

Proclamation be complied with and enforced it will necessitate a revolution in the handling of grain at country stations. If you will permit it, I will read what he says here. I will not give the prices. He says:

“The sums thus determined and fixed are guaranteed by the Government of the United States at the respective principal primary markets of the United States above mentioned, to every producer of wheat of any grade so established under the United States Grain Standards Act, upon the condition that said wheat is harvested in the United States during the year 1918, and offered for sale before the 1st day of June, 1919, to such agent or employe of the United States, or other person as may be hereafter designated, at any one of the above-mentioned cities, which are, for the purposes of this Act, hereby declared to be the principal primary markets of the United States, and provided that such producer complies with all regulations which may be hereafter promulgated in regard to said guarantee by the President of the United States.”

In our country I am operating some hundred elevators and the crop has been very light there. We have had very little trouble with the farmers in buying their wheat at reasonable margins. But under those conditions we will have to revolutionize the handling of wheat. With a large crop it might be different. The great problem will be the cost fixing feature. You can't get a farm elevator or a country elevator or anybody else to work without getting a profit and how are they to guarantee grades at terminal markets unless compensated.

The CHAIRMAN—Gentlemen, we have been 15 minutes on this question and apparently there is a divergence of views at once among country dealers. I would like every one to speak directly to the question under consideration or we will never progress.

Mr. QUINN—Does the Food Administration interpret that as meaning that those prices are payable to the farmer providing he delivers at the terminals or stations mentioned? In other words, is it the interpretation of the Food Administration that the \$2.20 price for No. 1 Northern is payable to a farmer say 20 or 30 miles west of Chicago?

The CHAIRMAN—It contemplates only taking wheat delivered at these terminals at the prices stated. Now, gentlemen, please speak directly to the question which is the limitation of storage period in country elevators 30 days. We are dealing with that

question now and we want an expression from the country dealers and their judgment pro and con. If there is no further discussion on the first question we will pass to the second, Seed Wheat Supply and Distribution. We would like to have your opinions and comments on the seed policy of the Grain Corporation during this last year. Is there any criticism of that policy? Was the selling of seed stocks at an advance of not over 15 per cent. satisfactory?

Mr. DORSEY—I don't think there can be but one expression and that will be of commendation and approval.

The CHAIRMAN—Are there any dissenting views, gentlemen? If not we will pass to No. 3, Present Grain Corporation contracts. There are now some 15,000 country elevators governed by various kinds of Corporation contracts. What criticism have you got or what suggestions have you to make as to the manner in which those contract terms are written and how they may be improved?

Mr. MAGNUSON—In relation to the contract, in order to be operative from the country elevator man's standpoint, I think the contract should embody a guarantee against a penalty in the price due to grades as established by the Federal Inspection Department, and that the contracts should also provide for storage charge to be paid by the Grain Corporation of the Food Administration getting sufficient to take care of the insurance and other such charges from the time of the purchase of the wheat until the time that the money is received for the wheat at the terminal or at whatever point the Food Administration Grain Corporation directed that it be shipped. And the storage provision should take care of the insurance that the country elevator man would naturally have to pay, and that would enable him, to a certain extent, to overcome part of the difficulties under which he has labored this year, in that he has had no chance to get a premium, that he has been deprived of a carrying charge, that he has been deprived of any storage charge that has generally accrued to him, from the fact that the farmers have stored and paid storage on wheat in the hope of getting a larger price. Those are the only suggestions in regard to the contract that I think of at the moment.

The CHAIRMAN—Let me ask you this, as to the rate fixed in the contract generally executed, the rate of one-twentieth of a cent per day, do you have any criticism of that as a fair rate?

Mr. MAGNUSON—I think that a fair rate per day would be one-fifteenth of a cent per day, because it is very easily figured, I think, when you come to pay the insurance and interest on the

basic price of wheat, and taking into account the other things in connection therewith, that one-fifteenth of a cent would not be too much. It would be fair but it would not be too much.

The CHAIRMAN—What suggestion have you about the present regulation which makes that allowance as it stands only effective when shipments in any one week are not 20 per cent. of the total stock?

Mr. MAGNUSON—The present regulation of the shipments of any kind of grain cutting off the storage when 20 per cent. has been shipped during any one week I do not think should have any room in this particular provision.

The CHAIRMAN—Your point is that every bushel should start to earn as soon as taken in?

Mr. MAGNUSON—Yes, every bushel should start to earn as soon as taken in from the time that it is taken in until the time it is shipped out so as to cover the whole thing.

Mr. SAGER—At a meeting largely attended last evening by the delegates, from all the various Exchanges, concrete recommendations covering this very point were adopted. Would it be in order to ask Mr. Eikenberry to read that one recommendation which illustrates the thought and judgment of the delegates as represented at the meeting last night on this one question which you have raised?

The CHAIRMAN—Yes, Mr. Eikenberry might read that.

Mr. SAGER—That that one section.

Mr. EIKENBERRY—This will be presented to you later on in the form of a communication, Mr. Chairman. The recommendation is as follows:

“In order to protect country dealers of wheat purchased by them, the United States Food Administration Grain Corporation should agree to purchase from them at the basic price less a commission of one per cent. any wheat which said country dealer is unable to dispose of elsewhere. The Grain Corporation should pay country dealers a consideration of one-fifteenth of one cent a bushel per day on all wheat purchased by said country dealers from the time it is received at their elevators until it is shipped out and final payment is made therefor. This consideration will partially reimburse country dealers for losses due to inability to get any carrying charges, to liquidate their wheat at a premium over futures, to collect storage from the

farmer (who in normal times carries grain in the country elevators), and also for the loss of interest and insurance."

The CHAIRMAN—I take it, as this is a recommendation of the trade, then the trade is generally dissatisfied with the present terms of the contract.

Mr. HOFFMAN—Inasmuch as you are going to have a sectional meeting of the country elevator interests and other interests, I believe that that recommendation should be left to the country elevators. There was a good deal of discussion on that point as to the amount necessary, to either make the country elevator play even or, at least, not suffer the loss that he is now suffering. There were a number of people there who were not country elevator operators. I do say from the point of view of the terminal elevator man that where he has a million bushels on storage that the question of labor per bushel does not make very much difference. But you take a country elevator with 10,000 bushels then the question of labor becomes very important and you will have an item of expense there amounting to one and one-half cents per bushel for labor alone. That is where you handle only a limited quantity of grain and happens time and time again the year around to the country elevator. It is our contention, from the standpoint of such a dealer, that this allowance should be at least one-tenth of a cent per day to permit the country shipper to break even. If we are to have a sectional meeting I would like to see this matter go over until that sectional meeting makes its report instead of having this report accepted as it has just been read.

The CHAIRMAN—Then shall we refer this to the meeting? (Several voices in the affirmative.)

Mr. DERBY—Another objection to this contract is that if there is other grain in the elevator the allowance is not made on wheat. I know we have had an instance in Kansas where a shipper will ship ear corn in stock cars and therefore you have that amount of wheat in the elevator for which you get no recompense. It seems to me not fair in that respect. I think the plan suggested by Mr. Eikenberry is nearer right.

Mr. DORSEY—I wish to speak a minute on the subject of direction of shipments.

The CHAIRMAN—That is perfectly proper.

Mr. DORSEY—We find in Texas, and I think it will apply in Kansas and Oklahoma, that the rules of the Administration

requiring that they control shipments from points of origin have worked a hardship on the country shipper and what we call the interior markets, in this way. I have known of my personal knowledge of country shippers, by sending their grain to dealers in Ft. Worth, have saved all the way from one cent to as high as seven cents per bushel per car, by reason of having the commission man call for a reinspection and handling and cleaning and preparing it as permitted by the Administration. My suggestion is, one which I believe would meet with the approval of the trade, that the Administration control the distribution of the wheat instead of the shipment from the point of origin.

For instance, I can illustrate my point in this way better. A man at Strong City, Kansas, having some wheat that he is not prepared to clean and blend, which is permissible, but he is not permitted to ship that wheat under the present rule to Topeka, Kansas, where they have a good cleaning house and drying house and where they are prepared to get that grain ready for milling purposes. But he can, without direction from the Administration, ship that grain into Kansas City. He cannot, however, ship it to Ft. Worth. The people in my country feel that this is a burden on them and unnecessary and does not benefit any one. Since the Administration controls the distribution of that wheat, it cannot be shipped for export or milling purposes without such direction, they feel that it is an injustice to the trade, both to the interior markets and to the country shippers. We believe that the country dealer should be permitted to ship his wheat to interior markets or whatever points he chooses, unless he chooses to ship it to the mills, and then the Administration should very likely control that distribution. But since they control the distribution, we believe we ought to have the right to ship it to these interior markets and not be penalized.

The CHAIRMAN—I cannot let that go, Mr. Dorsey, without an explanation. Your statement is a hypothetical one, I assume. You say that in the West the interior dealer could not ship his wheat to Topeka but could to Kansas City. If he had the right of shipment to Kansas City he could ship to Topeka. If we assumed the right of direction we would not let him ship to Kansas City any more than we would let him ship to Topeka.

Mr. DORSEY—Well, Mr. Chairman, it is very like the fellow who was advised by his lawyer that for the offense he had committed he could not be put in jail, but he was in jail just the same.

The CHAIRMAN—How is that, Mr. Piazzek?

Mr. PIAZZEK—He is permitted to ship to Topeka or to Kansas City.

Mr. DORSEY—This is not the case in Texas. He cannot ship without direction, Mr. Piazzek—the railroad won't furnish the cars.

Mr. PIAZZEK—You are speaking of those who have acquiesced in our control and have agreed to our right of direction?

Mr. DORSEY—I am speaking with reference to all, Mr. Piazzek.

Mr. PIAZZEK—Unless you have acquiesced in our control we have no control over you. You may ship in any direction. It is conceivable that we might know of a better place than you, and as soon as you say we may direct it we send it where it is needed worse. But, Mr. Dorsey, we do not assume that control over any wheat that has not been given to us by the owner.

Mr. DORSEY—But is there a single dealer in that zone who has not given you that control?

Mr. PIAZZEK—Yes, a very few.

Mr. DORSEY—That is what I thought.

The CHAIRMAN—But the point is made that you cannot ship to Topeka but could to Kansas City. You could not ship to Kansas City until you got a direction to ship to Kansas City, and you might get that direction to ship to Topeka.

Mr. DORSEY—As explained by Mr. Piazzek at a meeting in Kansas City not so very long ago he acquiesced in my statement that a man could not ship to any place except to a terminal market where the Government has an agent and that he could ship it there without direction of the Government or the Administration but he could not ship otherwise. That is the absolute rule that prevails in Texas, I can assure you, and I believe it prevails practically all over the country in the far West.

Mr. PERRINE—From my observations of the working out of this contract during the past year, it seems to have created more or less a preferred class, those who have signed the contracts, and in some sections only a small percentage of the grain dealers even know of it. In other words, I find that a very large percentage have not signed it. They are able, under direc-

tion of your Corporation, to secure the market price, less freight, without commission in shipping wheat. I want to ask you, is it the desire of the administration that all country elevators of all descriptions work under this contract?

The CHAIRMAN—Yes, we would like to have them 100 per cent. accepted and executed.

Mr. PERRINE—The general feeling in our previous meetings was, anticipating this large crop, that we could have a free and unrestricted movement of wheat in all directions, so that each part of the trade could participate in the usual handling of that to perhaps a minor extent. We do not hope to have what we had before, but it appeared to me that under the working of this contract during the past year that it did create a preferred class, that it did result in the fact that the country dealers who had signed the contract were able to get more for their wheat than their neighbors who, not having a contract, shipped to an open market. If the contract is to prevail it should be universal.

The CHAIRMAN—Yes, Mr. Perrine, we quite agree with you that the ideal operation which we hoped to attain this coming year is for us not to exercise that right of direction in any way. It would not have been exercised this last year if the mills had been able to run on the natural flow of wheat. The exercise of the right was necessary to stimulate the milling production.

Mr. MULLEN—It appears to me that something in the nature of a mistake or oversight has resulted during the past year. I take it for granted that the gentlemen here did not come here for the purpose of lining their pocketbooks; that they did not come here for the purpose of increasing their profits. They came here with the expectation of making good without losing anything, that that is about all, I take it, they expect.

If we raised a thousand million bushels of wheat no more than two hundred million will come on the market the first month and, of course, you can readily understand, as the gentleman just said, that the whole farming community will want to press the remainder of their wheat on the market at once just as soon as they possibly can. I think if you are going to put on these big charges you are going to pretty near swamp the Government. You must remember that we have got to stand a loss and I do not think that we should ask the Government to stand the full amount. I think that people who carry wheat this year have to stand a portion of the loss. It appears to me that one-twentieth of a cent will do, but one-fifteenth of a cent is enough.

I do wish, Mr. Chairman, to add this thought. Could not you arrange that this extra charge shall follow the wheat to the mill door? Can you not arrange so that the mill which grinds this wheat shall pay this extra charge? Then, of course, it will be absorbed in an increased price for the flour.

The last year has been quite discouraging. We are shipping wheat now to Minneapolis that we have held for six months. We are shipping wheat to Ft. Worth and down through Kansas that we have held six months, and we are getting what we paid for it. You can readily understand that is discouraging, and I think it best to explain that we will stand the loss, of course, but it is discouraging. We do hope to be able to arrive at an understanding more satisfactory. I believe that the price of wheat enhances at least one cent a bushel a month, and I also believe that some arrangement ought to be made whereby the farmer himself will not be so very anxious to put his wheat upon the market, because eventually it has got to be held for the farmer. A good portion of that raise has to be held throughout three or four months.

We might as well realize that at once and endeavor to provide some kind of a plan whereby he will be compensated to some little extent so that he will not be anxious to spend a lot of money by pushing his wheat upon the market or the Government when it perhaps can be held at home to better advantage for a short time. That should be in some way provided for and divided up and thereafter some provision should be made so that the charge might follow the wheat. We believe something of that kind can be done and also that the terminal elevator facilities should be extended as far west as possible. Where there is a good elevator, I think the facilities of the Government should be extended to that elevator where the wheat is raised. If we don't do that I think we will regret it.

The CHAIRMAN—You speak of holding wheat six months, which you are now, under our direction, shipping to Minneapolis and Texas.

Mr. MULLEN—Yes.

The CHAIRMAN—That was wheat held under a milling permit?

Mr. MULLEN—No, that is a misunderstanding. We never understood it that way. I am not complaining, however. That is all right (laughter). I might say, too, that you possibly mis-

understood that by reason of a change in the zones that came up. We were operating in two zones and we undertook to operate as though it was one. Later on it developed we could not handle it that way, so it happened that in the zone where we had the least milling facilities and capacity we had a very much larger amount of grain. That is how that happened.

Mr. RILEY—Mr. Chairman, I represent the Indiana Grain Dealers' Association. I want to comment, to some extent, on what was just said by this gentleman with reference to a continuing burden to follow the wheat. In the State of Indiana we are anticipating a good crop. We have never had so many acres planted and wheat never looked so good as this year. We think we will have 50,000,000 bushels while the total elevator storage capacity in the State of Indiana is less than 14,000,000 bushels. We have a large milling capacity in the State that in a 24-hour run grinds about 146,000 bushels. We have threshing machines innumerable. Any community can thresh out all the wheat it has within 10 or 15 days, if the weather is favorable. The result of the big crop, the result of the limited storage, and the result of the exceptional facilities for threshing this wheat means that it will flood the market in Indiana. The elevators of the State will be unable to take care of anything but a small percentage. Unless we have cars in abundance standing at every elevator so that every wagon load of wheat can be put right through onto the cars, you can see at once we are going to be overwhelmed with the wheat, you might say, in that State in such a manner as we never have been before.

It occurs to me that the recommendation read by Mr. Eikenberry takes care of some of this proposition, if that should finally become the rule, namely, that the Corporation purchase this wheat with a continuing increasing price of one-fifteenth of a cent per day. And if you have to hold that wheat a little bit there will be still less money in it. It costs exactly one cent a month to pay the interest on a \$2 investment and we that have had experience in country elevators know you cannot possibly take wheat from the wagon and deliver it to the elevator and then to the terminal market without losing at least one cent again, and that is two cents. To that you must add shrinkage and insurance and that will therefore ultimately result in a charge of four cents on a \$2 investment.

I assume, Mr. Chairman, that we may discuss these matters pretty fully to-day—.

The CHAIRMAN—It is evident you want to discuss these things and we want to hear you but we have a point to discuss with Mr. Hoover and he must leave this afternoon for Washington. That requires us to leave here very shortly. May I suggest that we take up where we left off and go into it further this afternoon. Pardon me for interrupting you.

Mr. PERRINE—That is entirely satisfactory.

The CHAIRMAN—Now about this afternoon. The New York Produce Exchange has a meeting at 3 o'clock which is going to be addressed by Mr. Hughes and they have a programme of entertainment to which they have invited you all. I don't see how you can go there at 3 o'clock and leave much for the afternoon session. It is evident that the discussion of these questions is going to take more time than anticipated, if we discuss them freely and fully and that is what we desire you to do. What is your pleasure for this afternoon? We who have a conference with Mr. Hoover can be back at 3 o'clock. Should we start at 3 o'clock or shall we set a later hour and accept the invitation of the Produce Exchange?

Mr. SAGER—I move that we decline the invitation, with thanks, and meet here as promptly after lunch as possible.

Mr. PIERCE—I second that motion.

The CHAIRMAN—Gentlemen, you have heard the motion. Those in favor? Those opposed? It seems to be carried unanimously. Then we will adjourn for recess until 3 o'clock when I hope you will all be here promptly. We would not take such a long adjournment but we want to keep our engagement with Mr. Hoover, who leaves for Washington to-day. We will meet at 3 o'clock.

Recess until 3 o'clock P. M., April 30, 1918.

AFTER RECESS.

April 30, 1918—3 p. m.

Conference Resumed.

Mr. WHITE—Mr. Chairman, I would like to express the hope that the address by Mr. Hoover this morning, to which we listened with so much pleasure, may be printed verbatim and copies sent to all the delegates.

The CHAIRMAN—I will undertake to see that is done (applause). When we adjourned, Mr. Riley was discussing certain features of country elevators. Mr. Riley, you have the floor.

Mr. RILEY—I do not know that I have very much more to say. I would like to say though that a very important question is financing this wheat. That is a question of considerable importance. In years that are past the farmer has carried a very large percentage of the reserve of wheat and hence he financed it himself. Now if the price is definitely fixed and the farmer can get nothing in excess of that price in case he holds it the tendency on his part, if he is a man of ordinary intelligence, and these days he seems to be a man of extraordinary intelligence, will be to unload that wheat at the earliest possible moment. That means a large amount of money will be required to finance that wheat. The country banks are not in as good shape as they were two years ago to carry that financial burden. Besides which, of course, the regulations would prevent a country dealer buying large quantities of wheat and borrowing money from any one bank because of the limitation of the amount of money that can be loaned, so that the wheat that does not find ready transportation has got to be held in the country. Our theory is that it should be held by the farmer. The farmer can finance his own wheat and the farmer can make his own provisions for doing so, but not in every instance. We should in some way induce that farmer to hold his wheat, should necessity arise. There is no such inducement now as formerly prevailed where he might hold his wheat for an advance in the price. Now he will bring the wheat to the market when it suits his convenience.

Our theory is this, that anybody that holds his wheat, whether the terminal elevator man, the country elevator or the farmer at home holding this wheat back until the market is ready for it, should be compensated for it. That compensation has been suggested for the terminal and country elevators on the basis of one-fifteenth of a cent per bushel per day, which would be two cents a month. There is no reason, according to our theory, why Mr. Farmer should not charge exactly the same compensation, providing he puts himself in the same position that the elevator man is in, with reference to the orders for delivery of it when it is needed. That will compensate him. He will feel like holding it at home, whereas as it is now, if he comes in and dumps it on the market, the market is flooded and there is no transportation, and your farmer goes back home and is discontented, and we

don't desire that in this country. It is the desire of the Government, it is the desire of everybody, and it is the desire, as well, of the Food Administration that the farmer be kept in the best possible spirits, that he may increase his production of wheat as well as other cereals, but particularly of wheat. We have insisted upon the farmer bringing his wheat in this spring. He has even been threatened in a good many instances with a procedure if he did not. Now if he comes in and you cannot take his wheat, Mr. Country Elevator Man, and you force him back home with that wheat, the result will be he will be greatly discontented. So we are favorable to the one-fifteenth of a cent per bushel per day being added to the price of the farmer's wheat as well, and that the price advance every day or month enough to absorb that. If there is any one who should pay the carrying charge on the wheat it is certainly not the producer. The producer has performed his function when he has produced the wheat and delivered it to the market or tendered it to the market. Then he has performed the function that belongs to him to perform.

It naturally thereafter falls to the consumer to take care of from that time on. It has always fallen there. Heretofore, even when the farmer kept it at home and made an additional profit on it, the consumer had to pay. When the terminal elevator or the other storage houses held their wheat a given length of time they necessarily had to have their compensation and that compensation followed the wheat. So we say this price, in place of it being paid by the Government, in place of the Corporation assuming responsibility and paying it out of any funds they may be provided with or that may come into their possession, that that one-fifteenth of a cent per bushel per day be spread out and follow the wheat irrespective of who sells it. It will be spread out by the millers and it will be spread out in loaves of bread in this country. If anybody should assume that responsibility, it is the man not prepared to take the wheat when delivered. So we believe that is one of the things that the Administration should take into account in fixing these rules.

I presume, Mr. Chairman, that it is not desirable now to discuss all the other phases of this question, although very desirable.

The CHAIRMAN—I have let you wander somewhat from the programme.

Mr. PERRINE—I appreciate that and shall not trespass on your time any further at the present moment.

The CHAIRMAN—Gentlemen, the discussion is on the third item. Is there anything further to be said?

Mr. VAN DUSEN—This morning Mr. Eikenberry read a recommendation on this No. 3, on the question of present Grain Corporation contracts and direction of shipments. While it was stated that it was voted on at the meeting last night as being the sense of that meeting, yet I do not feel that it was unanimous in every respect. There was one clause inserted there which read "Less one per cent. commission," which meant that the guarantee which the country elevator operator should receive from the Grain Corporation would be the basic price less one per cent. I think that was suggested by some individuals who were interested in the commission business, feeling that unless that deduction was made the Grain Corporation would take shipments from country dealers and pay the full basic price and therefore there would be no inducement for the country operator to ship his grain to a commission man and pay the commission. In asking for the full basic price we simply ask for what we are operating under now and which it seems to me the country dealer is entitled to. I cannot see myself where this would benefit either the commission man or the country elevator dealer. It would be simply deducted from his price of one per cent. I would like to ask you if you will interpret that and how it would operate.

The CHAIRMAN—We had hoped, when we assumed the right of direction at all, that that would be only for a temporary stringency in food supplies. I remember in our August meeting we had much the same discussion as to the effect of the stabilized price on farm marketings and some of our friends were quite sure we would be flooded with wheat beyond our capacity to take care of it, and some were in doubt. The result shows that we did not get any material receipts. What would happen under a larger crop is still open to conjecture. We do not want to exercise the right of direction and we do not want to inject ourselves between the country dealer and the mill, if the flow to the mill under natural commercial machinery is enough to supply the flour demand of this country. And when we took the right of direction we recognized that the dealer had the right to expect it would net him the same or better than if he had shipped the natural way. We finally were forced to go a step or two further and take the right of direction ourselves, which we hope not to do under the new crop. Does that answer your question?

Mr. VAN DUSEN—No, it is just simply a question of when this guarantee should take effect how would it affect the commission man or his country client?

The CHAIRMAN—I do not know, Mr. Van Dusen. I do not think we are quite clear as to the effectiveness of our present legislation and if additional legislation is required it is a pretty hopeless job. We are not clear but that the President, by an Executive order, can authorize the Grain Corporation as the agent of the Federal Government to make that effective and in such way that we may buy the wheat without regard to whether it comes to us direct from the producer or through second or third hands. If we have that right, it is also a fair assumption we may appoint agents for the collection of wheat through the country, if it is necessary. But if we have the crop which we all hope for, we quite hope our function will end with the terminal and that up to there the other wheat from the country to the terminal will be uncontrolled by us or influenced by our regulations.

Mr. SMITH—Are we to understand from that statement that you have just made that you have in mind entering into a contract with the terminal elevators to protect them upon that basic price at the terminals?

The CHAIRMAN—No, we have not got that far.

Mr. VAN DUSEN—The terminal elevators know they can almost immediately on receipt of grain in the elevators turn to the Food Corporation at the basic price the grain which they have accumulated. The country elevator is situated differently. Through their inability to get cars for shipment, it might be necessary for them to immediately, as you know, accumulate very large quantities of grain, and I do not believe the country elevator operators would feel they are justified, if we should have a large crop, in taking the risk of accumulating the stock that they might to take care of the grain freely as marketed by the farmers, unless they have some definite contract with some one representing the Government to take that grain off their hands at the basic price. That is the only protection they have.

Mr. MULLEN—That is very true. And I would like to say, Mr. Chairman, that some of our country lines of elevators accumulate several million bushels and I can see where if we have possibly a billion bushel crop of wheat and the war suddenly terminating we might have a drop in price of anywhere from 50 per cent. down, which would be quite a serious matter.

The CHAIRMAN—But if the Corporation designated by the proper Federal authority as the agent to make effective that guarantee on what wheat should be offered at a basic price, would the country elevator then feel that they have a sufficient hedge in the Federal action, well known and well published? Would you want a specific contract from any agency?

Mr. SMITH—I think that they would feel there is a moral obligation on the part of the Government to take the wheat, and I personally believe that the feeling is that the corporation would carry that out as intended, provided they were not estopped in some manner. But suppose Congress were to adopt a resolution that would stop the Food Corporation from carrying out that plan? That would make it dangerous for the elevator operators to accumulate a large amount of grain without something very definite to protect them.

The CHAIRMAN—The new situation introduces new problems and new hazards and we are not entirely clear how to solve them. Any reliance on a Federal Law always carries the risk of a counter order. This last year we were able to make a price guarantee because we could place reliance on the contract with the Allies to take whatever surplus wheat or flour we could give them at a fair price. This year we have to operate on a different guarantee altogether and you can depend on it that we can only take such risks as our business judgment would pronounce sound, and if we operate on the basis of a Federal guarantee we will only act as far as that guarantee justifies and authorizes us to go. That will not be as satisfactory for you as the present price guarantee but it is the best we can get.

Mr. McMILLAN—I do not believe it possible under any such indefinite arrangement as you suggest to finance the movement of the crop in the country. The banks are not going to loan money if there is no definite assurance in any way that the holder of that wheat will be protected. For example, suppose you put into effect a price on wheat effective by the 1st of January. The transportation situation might be such that it would be impossible to get all that wheat in before the following August. It would be absolutely necessary, I am sure, in order to borrow the amount of money that would be required to be able to show the bank that there was absolute protection up to the time necessary to get that wheat in.

Mr. PIERCE—Section 11 of the Food Act in three lines, without any qualification, advises the President from time to time

to purchase, store and sell wheat, flour, etc., on the basis that if the President gives an order to the Grain Corporation for a stated period to take all the wheat or grain at a certain price that shall be the price, and I think we could very reasonably rely on that Corporation to carry out the direction of the President.

The CHAIRMAN—That authority to the President is in the Food Control Act which carries \$150,000,000 for the entire purposes of the Food Administration. There is no appropriation beyond that fund.

Mr. MOSES—I think the remarks made regarding the country situation in buying wheat should receive your very careful consideration. The country is up against a very hard problem. They must be guaranteed a stated amount or they cannot operate. It is absolutely a financial impossibility. Today the country banks, to my knowledge, in our section are questioning the financing of country elevators on account of this upset price that Congress and the Government have made. If the Government could guarantee the farmer so much a bushel they can guarantee the elevator handler of that grain at least a reasonable proportion of that and the result will be a good investment. We all know the big storage in this country is in the country elevators and in the mill elevators.

Take a miller. He has no inducement at all under the present outlook of a large crop of filling his bins with wheat with his own funds. He can buy from hand to mouth as needed. So they are reasonably protected in that. But it eliminates storage. On the other hand the situation is not the same for the country elevator because the country elevator, if it opens its house at all, must take the wheat until it is full, if it is to do business. I think this is one of the great problems of the wheat game today. In view of the law written by Congress and the power given to the President, I think it is for you and the President to solve this country elevator question. That is where the wheat originates.

Mr. PRIDDY—On the question of direction of shipments, I want to speak for a few moments because I consider that a quite important item. To a great many interior mills the question of the origin of the grain is of the utmost importance. Under this heading I was requested to call particular attention to the fact that a great many of the people located on only one or two railroads are subject to what are known as transit privi-

leges, and their wheat must originate in certain territory in order that the flour output may go into the same territory.

As an illustration of that, some time ago my attention was called to the fact that a request was put into the Food Administration as to wheat originating on the M. K. & T. and the Missouri Pacific with a view to sending the products to Galveston or New Orleans to move for export. The wheat instead of originating on that line, because it probably was not available, was sent from some points on the Santa Fe. They got the wheat and put it into flour but could not move it until they got more tonnage by reason of the fact of the application of through rates and export privileges not being available to that particular tonnage. So they had to call on the Food Administration for additional wheat, not because they needed the wheat but to get tonnage to move it.

So when the question came up as to the direction of these shipments it occurred to me it might be well for the administration, so far as possible, to take notice of the requests for wheat by millers when they order wheat and specify where they prefer to have it originate in order that it may be moved to the proper consuming territory. That is a question I know that has given some trouble.

The CHAIRMAN—I think that was due to a limited field of supply. We do maintain quite an extensive traffic organization to meet those very points and deliver wheat where it suits the mill best, as far as we can.

Mr. SUTTON—You referred to the fact that under the Food Control appropriation \$150,000,000 was the limit of the fund to carry out the purposes of the Food Administration. Is it possible to say how much of that appropriation is still available?

The CHAIRMAN—I think it is practically all available. It has not been taxed to any great amount.

Mr. SUTTON—Has the Food Administration or the Grain Corporation asked for any additional sums from Congress, or does it contemplate asking for any additional sums from Congress, to protect this price which has been set in the mill?

The CHAIRMAN—The Food Administration has this original \$150,000,000 and it has asked for no more. The joint Food Administration organization outside of the commercial organization, the Grain Corporation, have had an additional appropriation beyond their estimated expenses of some \$5,000,000 or \$6,000,000.

Mr. SUTTON—But no additional amounts?

The CHAIRMAN—No.

Mr. PIERCE—Referring to your remark about the \$150,000,000 appropriation. That certainly does not preclude any further appropriation if it may be necessary inasmuch as Section 14 says that the Government guarantees, etc. That guarantee is fixed and it seems to me simple common sense, if not simple legal sense, that the Government must make whatever appropriation in addition to the \$150,000,000 may be necessary to carry out that guarantee.

The CHAIRMAN—Yes, every additional appropriation necessary to carry out the guarantee, but not to carry out the clause you quote, allowing the President to buy and sell wheat, flour, beans and potatoes. There is quite a distinction that must be kept in mind.

Is it not quite evident that on this item No. 3, present Grain Corporation Contract, we can spend a great deal of time in the discussion of that, possibly, the attitude of the country elevators on the requirement of the proper Grain Corporation contract might be better discussed in their sectional meeting and brought back to us for discussion to-morrow? What do you think? (No response.) Is there any objection to referring this to that sectional meeting of the country elevator operators? (No response.) If not, we will pass that and refer it to them.

4. *Federal Grades (Under Item 1, Country Dealer Problems).*

Referring now to item No. 4, the matter of Federal grades and their effect upon the country elevator operator.

Mr. SUTTON—A year ago the Food Corporation put on certain rules and regulations regarding the method of handling our grain product. We appreciate that we handled but a small proportion of the crop raised in the United States and that it has always been handled in a very crude manner. A year ago these rules were put out by the Grain Corporation and the result is that it put the whole business on a legitimate basis. As representing a Committee sent here by the Seattle Chamber of Commerce and the Merchants' Exchange I wish to say that the operation of the Grain Corporation meets with their entire satisfaction and we want to take this opportunity of expressing our appreciation of the courteous treatment we have received from Mr. Houser and we also want to express our appreciation of his

promptness and fairness in handling our business. At the same time we want to assure you that if the Food Corporation should conclude to alter these rules or regulations in any way, we will cheerfully give them all the co-operation that we can.

Mr. VAN DUSEN—Is it a fact that there is a rule in force on the Western Coast, under Mr. Houser's administration, of allowing the country elevator man one-fifteenth of a cent per bushel per day storage on wheat received?

The CHAIRMAN—Yes, after 30 days. That was necessary on the Pacific Coast from the very start because 70 or 80 per cent. of their crop is moved in 60 days and in sacks and is stored in independent warehouses and not by the warehouse operator himself.

But we were speaking generally on the subject of Federal grades. Are there any suggestions as to Federal Grades, as to any particular attitude or change of attitude that the Grain Corporation can make in its treatment at terminals that might help the country elevator to operate under these new Federal standards, what can you suggest?

Mr. MACMILLAN—It was generally understood by the Grain people that when we secured Federal supervision of inspection that any grade fixed upon a car would follow that car into any market regardless of where it might go. There is a great deal of complaint among the trade because the inspection does not follow the car. There has been a great deal of complaint in Minneapolis, I know, for example, because of the difference of inspection standards on corn. Minneapolis inspections have been more rigid than those of Milwaukee or Chicago and there has been a very great difference between the markets of Milwaukee and Chicago and Minneapolis. It is a cause of constant confusion and complaint. It would seem to me that this is a subject that all of us are very much interested in and I should like very much to hear how this is affecting other markets as well as our own.

Mr. PIERCE—The only suggestion I can make may probably be illustrated in this way. The Federal grain standards division have a supervisor at Ft. Worth. There they are required to send from the furthestmost parts of Texas samples to Kansas City. It seems to me the rule could be amended so that some burden might be taken off in the way of expenses, express charges, etc., by sending those samples required to the nearest Federal Supervisor for inspection.

Mr. VAN DUSEN—Perhaps I can add to that by stating at the time the Federal supervision was inaugurated in Washington it was very plainly stated before the Committees before whom the Grain Trades appeared at that time that the only reason for Federal supervision would be that the grade in the grain market would be the same in any other market, and the proposition seemed to me to be that the Federal supervision should change from one market to another in order that all markets might eventually come under the same head and each one of the supervisors be educated to the point of similar standards in every market in the country. Of course, if Federal supervision does not cover that one requirement then Federal supervision is as inefficient as State supervision was previous to the time of the passing of the Federal Supervision Act. I may add, however, that Mr. Brand has repeatedly said that his eventual proposition is to come to that standard but that it would take some time to get there. It seems now that we have had it for some considerable time but the supervisors have not been changed from market to market and we are no nearer that conclusion than we were at the start.

The CHAIRMAN—Mr. Brand advised us not a week ago that he was making a new and special effort to equalize inspection standards for the various markets. It is quite conceivable that until it is uniformly equalized it will be a source of constant inequality.

Mr. RILEY—You gentlemen will pardon me for appearing so frequently but being the only representative directly from our Association I feel it incumbent upon me to appear more frequently than I personally care to.

The question of Federal Grades is one of pretty serious importance. We believe in Federal grades in everything. We believe in the rigid enforcement of Federal grades, commencing with the country elevators. We made a campaign last year to bring our country elevator people to the point in trying to get them to buy the grain on Federal grades. Of course, we in Indiana believe in Federal grades. Much of the trouble that developed in certain parts of Indiana grew out of the fact that Federal grades would be adhered to by one buyer and not by another. If it is possible for the Administration to bring a stronger pressure and to impose a stronger hand upon the licensing of elevators and of mills that will compel the use of Federal grades in the purchase of grain, it will relieve a great deal of our difficulty and

will certainly help to accomplish the purpose intended by the Federal grade proposition.

I would like to ask one question of Mr. Irwin. I think Mr. Irwin is present. We happen to be in his zone where he is the agent. It is stated that inspections of samples in his office were not made by Federal Supervisors or Inspectors. We would like to have him clear that up as to the facts.

Mr. IRWIN—All samples of that character are inspected by Federal Inspectors. Any statement to the contrary is positively not true.

Mr. RILEY—I am very glad to know that because our people have had that impression. On the question of these inspections we believe that a strong hand should be laid on the millers and a strong hand should be laid on the elevator men to compel the use of the Federal grades. Under the administration of the Corn Rule, if a shipper announces his grade when it arrives at destination if not believed by the receiver to be up to grade there is a regular provision to take up by appeal to the nearest inspector. We believe that would accomplish a great deal in the State of Indiana if it were applied to wheat because we have many most excellent mills and plenty of buyers. The mills have been buying grain in certain territory for many years and they are not pleased with the idea of having to send their samples down to Philadelphia or elsewhere without there is a complaint from the mill. We believe it ought to go to the mill and let the shipper announce his grade, because the mill, if the mill is not satisfied, might then take it up with the nearest inspector as they can do under the corn grades now. We say, first lay your hand strong on the inspector and insist on Federal inspections and then give the people that opportunity. It is not a fair proposition to the miller to have the man who draws a sample as an ex parte proposition place that sample in a common ordinary grocery bag or something else in the way of a container and send it to Philadelphia to be inspected. We believe that the wheat proposition ought to be handled exactly in the same way as the corn proposition is handled. We believe that every licensed mill in the country and every licensed elevator man should be, in so far as you have the power and authority, compelled to buy on the Federal grades.

The CHAIRMAN—Mr. Riley, we had not been two weeks in operation when we found that certain mills had selected certain dealers and had told them to send what they had, and they

would give a higher grade on it. You can imagine what the difficulty was in meeting such competition. So we made a rule not to allow the mill to say what the grade should be in order to keep the price uniform.

Mr. RILEY—I realize that and that is the reason why I say that a strong hand should be laid on the miller in the beginning, and on every buyer who may desire to do business that way. The tendency of the present rule is to force all the grain through terminal markets. We are glad to have terminal markets to receive as much grain as may be due them, but we do not think they should be permitted to disturb these ordinary channels of trade without greater necessity. We want that practice abandoned. We would like to see that miller have his license revoked, if you find him doing that. We would like to see the grain man have his license revoked, if you find him doing that. Place a penalty there, but do not spread it throughout the entire country and drive this grain out of normal channels to the terminal markets or elsewhere where there is better inspection, because they cannot employ inspectors at all these points.

The CHAIRMAN—Would you favor allowing the grain dealers at the mills to which the shipper consigns his grain to fix the grade without any check by us?

Mr. RILEY—I would favor the purchaser having the privilege of billing his own grain. Self interest on the part of the purchaser will determine the value of that grain.

The CHAIRMAN—The fact is that it developed in two weeks that self interest on the part of the purchaser did not lie that way at all.

Mr. RILEY—I have no doubt that is correct, but that was not the general rule. On the other hand, these samples are ex parte samples. You will admit that. If I draw a sample at my elevator in the country and if I am disposed to be dishonest or if I am ignorant of how to draw a sample, if I do not get the correct sample Mr. Irwin cannot determine what that grade is. Then the miller may be imposed on and has gotten a poorer grade than he has paid for. It is an ex parte proposition at that point. I think that the self interest of the miller can be relied upon, together with a strong hand and the danger and liability of the forfeiture of his license to prevent that kind of practice, and it won't be very general.

The CHAIRMAN—There is no question but that in drawing that sample we rely on the honesty of the shipper, checked by the complaint of the mill, if they want to draw a sample of that grain on the arrival of the car at that mill and have it checked. As a matter of fact, it is a favorable commentary on the trade itself that such incidents very seldom have happened. The samples drawn are almost uniformly absolutely typical and honest.

Mr. RICHARDSON—I gather from what the gentleman stated over there that some mistakes occur on corn grading. I am one of the mourners, too. We do not find any regularity, at times, in Federal grading from one market to another. Recently several shipments arrived in Philadelphia hot and warm and had to be revamped. This happened particularly with reference to shipments from Minneapolis and Milwaukee. On investigation it also developed that some came from Indianapolis. They said that the grain that they graded had been graded at night and they could not see it. I do not wish to make any particular complaint about it excepting that I think it a good idea for the Federal Inspectors to meet and agree what the grade of this grain should be.

The CHAIRMAN—I guess there is no disagreement that there is nothing more desirable than to get a uniform standard between markets and a uniform application at all points of Federal standards. I do not think that point is open to discussion, is it, gentlemen? What I want to get at is, have you any suggestions to make to the Grain Corporation as to the reflection of its methods in these great terminal markets, as to whether they impose any burden on the country dealers. I want your suggestions as to any possible improvement.

Mr. VAN DUSEN—I should say, Mr. Barnes, that is as near perfect as you can make it now.

The CHAIRMAN—Does any one want to express a different opinion? We are trying to meet conditions and difficulties as they are developed by our administration and make them as nearly fair as we can.

Mr. HAYWARD—A question has just occurred to me. Where a mill is located at Ellicott, ten miles from Baltimore, and there is no Government Inspector it is manifest that the sample will have to be drawn by the miller or the shipper? The Grain Corporation, I think wisely, allows the shipper to draw the samples,

and he sends them on to his zone agent and they are analyzed. The custom in Baltimore is, after analysis, the shipper is entitled to a premium if it develops that the sample is over the grade given. As millers we, of course, keep a perfect check on that wheat. If the grade put on the particular car does not correspond with the proper number according to the sample furnished to us, we have it in our hands immediately to make an investigation.

But I want particularly to say that I have checked pretty thoroughly all shipments that have reached us, and wish to say that we have had very little cause to complain. The inspections have been done to our entire satisfaction.

Mr. ECKHARDT—In the Chicago market there are occasions where a desire is manifested on the part of the commission merchant to avoid the necessity of allowing a dockage charge, which seems to be unfair, because dockage itself is a kind of grain that has a value, a considerable value. The question arises whether under this arrangement of discounts will it open to the commission merchant or shipper to have that grain moved and cleaned?

The CHAIRMAN—You refer now particularly to the point of dockage value?

Mr. ECKHARDT—That is part of the discount there.

The CHAIRMAN—I want to know if there is any objection to the manner of handling. We have studied over that lately a great deal. We quite realize that our method of outright price discounts deprives the owner of grain of the competitive bidding which might effect the value of dockage and we are trying to approach some method by which that can be safely reflected through our own organization. We quite acknowledge our responsibility.

Mr. ECKHARDT—May we have a definite expression of opinion where we would like to have the feature of competition enter on lower grades? In other words, lower grades to be open to competitive buying as they arrive from day to day.

The CHAIRMAN—In some of the markets the particular wheat you mention can be treated or the dockage removed and sold for the benefit of the owner; in other markets we are reflecting that in the price. But in the absence of allowing free competition to reflect that value we have quite a problem to approach without disturbance of the stabilized price. We have never seen how you

can throw any grades of wheat or any section open to competitive bidding without menacing your stabilized price.

Mr. MULLEN—It does seem to us that the Food Administration could formulate a rule to the effect that the receiver of this wheat may pay the commercial value of this dockage. We have shipped a good many cars of wheat to Minneapolis and there they not only refuse to pay for screenings but they charge us up with the freight, and that freight is about 50 cents a hundred. In the little elevator that is not supplied with cleaning facilities, you will readily understand they are in pretty bad shape to satisfy the farmer. So we have undertaken to move this wheat from one elevator to another where we could clean it and take out the screenings, and we have undertaken to settle with the farmers and pay the commercial value of the screenings. It ought not to be necessary that we should move that wheat out of line to accomplish that.

Regarding grades, we have also found it advisable to ship wheat to Omaha and have it inspected there. We find that the Federal Inspectors themselves differ, and very naturally, in regard to grades. I assume that we will have to make the best of it until we can get something better.

The CHAIRMAN—Let me call your attention to this that at Minneapolis you have the right under the practice in that market and our rules to clean your cars and get the benefit of the removal dockage. The probabilities are that you have not employed a commission man to watch your interests but have accepted the direction.

Mr. MULLEN—Yes, but it might cost us more to clean and screen it than the commercial value of the screenings amount to. But they are certainly worth something to the mill.

The CHAIRMAN—Am I safe in passing Item No. 4, Federal Grades, with this general comment, that you are satisfied the Grain Corporation has worked out as equal a valuation as possible in the treatment of the different averages relative to the qualities of wheat, and that you are satisfied to leave it to them to approach and correct any other inequality as it is developed in actual experience?

Mr. VAN DUSEN—Unless the Corporation should see fit to allow a free and open market on the lower grades on a commercial basis.

Mr. MULLEN—Or when a serious complaint is made the Corporation ought to take cognizance of it.

The CHAIRMAN—Yes, those complaints direct our attention to immediate corrections and we try to approach it in that spirit. Is there any objection?

Mr. MULLEN—That will do.

The CHAIRMAN—Can we go to No. 5, without objection, country buying margin?

No. 5. Country buying margin.

Mr. McCUNE—There was a question raised this morning that I did not quite understand. I would like to ask this question, whether the price basis for the coming crop is to begin at the buying end or at the selling end?

The CHAIRMAN—The only price basis now is the Government guaranteed price at which it will buy in certain locations.

Mr. McCUNE—It will be the price at which they guarantee to buy?

The CHAIRMAN—Yes.

Mr. McCUNE—Why not fix it with the idea of a fixed margin? Would it not become automatically fixed if the Grain Corporation guarantees to take the wheat at a fixed price at the terminal market? That is to say, if the country shipper must pay a definite price to the farmer and he in turn is guaranteed a regulated price at the terminal market?

The CHAIRMAN—Your suggestion is that the Administration designate a proper deduction for the country buyer to pay for wagon load deliveries? Is that it? There is no provision for it.

Mr. McCUNE—No, sir. What I meant was, was assuming that the Grain Corporation agrees to regulate the price of the wheat that is shipped from the terminal markets; in other words, guarantees the price that we shall receive when shipped through their channel. If the price that he is required to pay is fixed and the price that he can sell at is fixed; that is to say, what he can safely assume he can receive and if he exceeds those limits he will be taking a chance?

The CHAIRMAN—Perhaps I am a little dense about it but I still have the idea that the gist of your suggestion is that the Food Administration should intimate or designate what is a proper deduction for the country dealer to pay in the way of a margin, having given that dealer a permanent price basis? Is that right?

Mr. McCUNE—Unless I am clear off the track, that is not right. The idea I received was and my question is predicated upon that idea is the theory that the price guaranteed the farmer is simply the price that the primary market pays less freight; in other words, the thing is reversed from what it was last year and instead of starting with the selling end and working backwards you start at the buying end.

The CHAIRMAN—The farmer still has the burden of delivering that wheat into the terminal. Now, how is he going to deliver it?

Mr. McCUNE—I am assuming it will be handled through the usual way.

The CHAIRMAN—Through the country dealer?

Mr. McCUNE—Yes.

The CHAIRMAN—Now what shall the country dealer ask the farmer for the use of his facilities in loading the car? How will he arrive at that margin?

Mr. McCUNE—I was acting on the theory—

The CHAIRMAN—You are acting on the theory that the Corporation might propose to pay the country dealer by paying a commission for making good to the farmer his price.

Mr. McCUNE—The President's Proclamation did not provide for an intermediate margin of profit.

Mr. VAN DUSEN—As I understand the President's Proclamation, the grain bought at that terminal market is worth so much. It does not make any difference whether that grain is shipped in by the actual producer or by a man who has bought it from the actual producer, if it is the proper grade according to the Federal supervision inspection it will bring that price.

The CHAIRMAN—That is what we hope to accomplish.

Mr. VAN DUSEN—The question of a buying margin in the country by the country elevator man from the producer that would be simply a matter of the competitive situation, whatever it might be.

The CHAIRMAN—Yes, unless a proper buying margin for the country dealer is prescribed in some way. My point is, does the trade want a prescribed margin in the country?

Mr. EWE—I would like to ask if the margin for the country elevator would not depend largely upon whether you put into effect a storage proposition for the country elevators? For instance, if you buy wheat on a five cent margin, which is not excessive, and carry it 75 days in the elevator and you are allowed one-fifteenth of a cent per bushel per day that would still come back, you would still have five cents if you were allowed the storage. I think the country margin depends largely on whether you will allow storage.

The CHAIRMAN—I think the discussion ought to be approached from the angle of what is a legitimate handling margin, without any additional income from storage of any kind and on the assumption that you are able to ship at once.

Mr. RILEY—I think the control of wheat last year has materially affected conditions. The margin on which the country dealer buys from the farmer still depends largely on competition. There are points where there is only one elevator and no competition and that man buys on as little a margin as the farmer permits. But we have all sorts of provisions, and it has not been my experience that the fixing of price and control has very materially affected the buying conditions at country stations. I would like a maximum margin placed, but I do not think that any fixed margin can be made effective during the latter part of this crop year and also immediately after the fixing of the price. In a great many points throughout the Central West the farmers, as soon as they got onto the fact that they could ship wheat to the terminal markets and get the additional price, less freight and commission, proceeded to do that, and in many cases they did it, and to such an extent that the farmers say on this crop they are going to ship all of their wheat to the terminal markets, so there will be locations where the country dealer will have to handle that wheat without practically any profit. I do think it will be wiser to fix a maximum margin and, to that extent, that uniform price to the farmer.

The CHAIRMAN—What is your idea of a maximum margin?

Mr. RILEY—Five cents a bushel on wheat.

Mr. BALLARD—My firm operates a flour mill on the left bank of the Ohio. We buy wheat from the farmers and we buy wheat from the country elevators and we buy wheat from the terminal elevators and we buy it almost any way we can get it, providing we can get enough of it.

The question you asked a moment ago as to whether a country elevator should be expected to receive wheat from the farmer and load it on board a car for shipment without compensation I think is one of the things that has to be corrected.

This morning there was an attempt made here to break up this meeting into units; for each to discuss matters pertaining to its particular unit and then to come back with recommendations and group reports for our action. The very diversity of opinion that has been expressed here all day long, to such an extent that we have not yet gotten half way through the point regarding country elevators makes it seem to me that if we had started at question No. 10, Has the Country Dealer Earned a Fair Return this Year, instead of at question No. 1 we might have gotten down a little faster.

Has the country dealer earned a fair return the past year? If not, was it due to poor crop out-turn? If not, in what respects was the limiting of opportunity due to Food Administration Rules?

Just now the question is, what is a fair return for the country elevators to receive for handling and taking the risks of shipments of grain belonging to a farmer? What should he be allowed to receive as compensation for keeping it in his own elevator until equipment is furnished to him for shipment of it? As to the question of grade, that is incidental. That will come up. The country shipper has no inspector. There is no inspector near, but the nearest Corporation inspector has provided a method by which grain can be inspected and graded.

It does seem to me this morning we made a mistake. I believe if the country elevator people would be allowed to get together now to formulate a report to bring back to this meeting to-morrow and to say to you and your Administration what they think they ought to have and let that report come forward for discussion, for disapproval or approval, as the case might be, we would that way, in my humble judgment, get somewhere. At present it does not look as if we were making very much progress.

Mr. HOFFMAN—I agree with Mr. Ballard. The statement has been made that five cents a bushel is a fair return to the country elevator for compensation for buying the wheat and shipping it. I cannot for the life of me understand how any one could arrive at that understanding. The utter absurdity of it will be perceived if you will go over the country elevator man's books under present conditions. He has to hold that wheat from two

weeks to two months and he must take into consideration shrinkage and labor cost and interest and insurance and depreciation of investment. He cannot possibly get out for five cents a bushel. They used to when wheat was 60 cents a bushel because then the interest was less and the insurance was less and naturally the shrinkage was less to the extent of the difference in price then and now. Your shrinkage in dollars and cents was less then than one-thirteenth of a cent a bushel, and so all the way down the line. That is a very important item to be discussed and it ought to be discussed by the men who operate country elevators on actual cost. While I would hate to leave this meeting now, even temporarily, I believe it should be discussed and gone into carefully by those members that know what the cost is of handling grain, and then have their recommendations or conclusions submitted to your body for final discussion.

The CHAIRMAN—Is there any motion first to decide whether the sentiment is for fixing a margin?

Mr. HOFFMAN—I wanted to say a word on that. As I understand, the price that is fixed is to the farmer and if we raise a crop of wheat of 800,000,000 bushels to 1,000,000,000 bushels and there is no price fixed for the country elevator to receive for its wheat I cannot see that the country elevator man and the terminal elevator man has anything confronting him but to be up against a probable loss. When you pay \$2 a bushel to the farmer for this wheat there is going to be a big movement, especially when you have a bumper crop such as we anticipate. When the terminal elevators and the country elevators finally get full of wheat and the demand drops off I cannot see anything but a lower market, unless at some place along the line the price is fixed and unless a definite price that the elevator man is to receive is fixed. A margin of profit should be fixed.

Mr. SEARLE—It seems to me that the same conditions prevail in the grain business as in every other line of business, and that is the cost of the operation depends very largely on the volume of business in the same sections of the country. In some sections of the country the elevators have a very large volume of business and this does not increase the cost of operation to any appreciable degree. In other sections of this country the amount of business is moderate. In the sections where the average amount has been may be 100,000 bushels they can af-

ford to do it upon a narrower margin than in sections where the average amount handled is only 50,000 or 60,000 bushels.

In past years the country elevators have generally gauged their buying margins somewhat upon the volume of the crop. So it does not seem wise to me to fix absolutely the buying margin. The country elevator in the past has had the protection of the terminal markets and of the carrying charge to take care of the cost of carrying the grain in the elevators from the time received until they may have had to sell it.

Under the method that might be proposed of fixing a margin without allowing a certain amount for storage the country elevator from the time the grain is received until shipped, no one could figure what margin would be necessary to cover the cost of carrying. It costs, as it has been stated, a full one cent a bushel for interest alone, and if they were to buy upon a five cent a bushel margin in the country and if they were not allowed any storage that would eat up the entire margin and leave no profit and nothing for cost of operation.

In Canada during the past year an allowance was made, a buying margin was agreed upon, by the Board of Supervisors who have charge of the operation of the grain business as the Grain Corporation has here. They allowed a margin of five cents and some fraction there in addition. They have also allowed from the 1st of October a storage charge or a charge to cover the cost of carrying of one-twenty-fifth of a cent per bushel per day, that applying from the time the grain was received until the elevator shipped the grain and delivered it at the terminal.

In addition to this, they have allowed one cent per bushel to the country elevators for grain that might be diverted from the terminals. Many of the country elevators are interested in the terminals and where the grain commissioners diverted the grain from mills they have allowed one cent per bushel.

Those charges have not much to do with the expenses of a country elevator. It costs in the Northwest anywhere from \$2,500 to \$3,000 per elevator per year for operation. So you can see yourselves that five cents margin on a 60,000 bushel elevator is very little more than sufficient to pay expenses. I am of opinion that an allowance should be made to the country elevators to cover the cost of carrying and a sort of storage charge and interest and insurance charge and that the different sections of the country should be permitted to determine what the buying margin should be.

The CHAIRMAN—May I develop for you this thought? The Board of Grain Supervisors of Canada can fix the margin and details by order?

Mr. SEARLE—They have done so.

The CHAIRMAN—And they fixed that at five cents, and a fraction, the latter to meet freight adjustment. The idea was that five cents should be the maximum?

Mr. SEARLE—Yes.

The CHAIRMAN—In actual practice has the five cents worked out, has it been observed?

Mr. SEARLE—It has been generally observed.

The CHAIRMAN—Proceed, if you have anything further to say, Mr. Searle.

Mr. SEARLE—When they started buying there last fall and before any one seemed to have proper authority to guarantee the price, the country elevators went ahead and through competition and through their misunderstanding of general conditions they went to work on what was apparently a margin of three cents a bushel. They continued for some two or three weeks. In the meantime this question of the advance in price was under discussion. The bankers took the matter up and wanted to know where the grain elevators were going to dispose of this grain they were not selling and finally they would not advance any more money. It became so acute that I think 90 per cent. of the elevators in the country discontinued buying for 10 days or two weeks.

I think you could not market a bushel of wheat in Canada, until finally the Government gave notice that they would practically protect the country elevator operators as to price. Then every one got in the market and since that time five cents in practice has been almost universal. There have been exceptions.

The CHAIRMAN—And the allowance made for grain retained was one-twenty-fifth of a cent per day?

Mr. SEARLE—Yes.

The CHAIRMAN—Only during the winter months?

Mr. SEARLE—No, that has been effective since about the 1st of October and continued right through and that has been paid monthly through the Clearing House Association of Winnipeg.

The CHAIRMAN—But it terminates May 29.

Mr. SEARLE—I don't know about that, but it will all be shipped out by that time.

The CHAIRMAN—Under that regulation and on the basis you state can you say that the elevator operation there has been unprofitable?

Mr. SEARLE—I won't say it has been unprofitable because there have been some companies in certain sections where the volume has been heavy that have made a fair profit; others have not made much profit.

The CHAIRMAN—Only where there has been considerable volume has it been profitable?

Mr. SEARLE—Yes, that is what I say. I think they are paying about one cent more this fall and the margin is fixed.

Mr. McMILLAN—There is one point that Mr. Searle often referred to and which, I think, every country dealer is interested in, the question of margin. One thing that makes it practically impossible to fix a fair margin is the condition of the crop. It is conceivable that one locality will have a very dry wheat and it will keep excellently. Another locality will have wheat with excess moisture and there the risk of ownership is very great. So it might be fair in one locality where the wheat is dry to pay or allow five cents a bushel and it would be equally fair in the other section where the excess moisture prevails to allow ten cents a bushel. That would be a fair compensation for the risk involved.

Mr. BINGHAM—I represent the Indianapolis Board of Trade. I believe we have three interests represented in this meeting, the country elevator element and also the mills and also the commission men, the terminal elevators and the dealers. I believe, in the interest of getting at this in the quickest and most satisfactory way, I will make a motion that you appoint in your own way or let each interest get together and each formulate some recommendation or proposal and report to this meeting this evening or to-morrow morning in order that we may have something to act on. I believe that the method of procedure we are now following will result in prolonging indefinitely this discussion without any satisfactory results. This is my motion and I hope I may hear a second.

The CHAIRMAN—I quite conceive, although the expression of opinion this morning was in favor of this method of pro-

cedure, that it is in order to reconsider, if you wish. Does anybody second the motion? Do you wish to speak to the motion, Mr. Clemons?

Mr. CLEMONS—On what we have been discussing?

The CHAIRMAN—Do I hear a second?

Mr. PIERCE—I will second that motion for the purpose of throwing it open to discussion.

The CHAIRMAN—Then we will speak to the motion.

Mr. PIERCE—I just want to say this. This grain business we are here to discuss. I imagine from the language you used when you called this Conference together that you wanted to hear the expressions of the Grain Trade and you wanted to get some ideas and views of the Grain Trade, and that is why I said I thought we ought to go along on the plan proposed by you and your assistants, and I still think we ought to do that.

The CHAIRMAN—Is there any other expression of opinion on this motion?

Mr. HOFMAN—I believe the idea of this motion is all right, particularly if we will take this list and answer these questions in these different caucuses in which we are interested. I believe you want all these questions answered and I believe we can get at it more definitely and quicker by getting together and getting right down to brass tacks and talking between ourselves and then coming and submitting the result of our deliberations to you and have any discussion you desire in full conference.

Mr. MULLEN—I think that the method we are now following is the proper one. I think we are now discussing that very proposition. Whatever report might be brought in as the result of a private conference of the interests especially interested would have to be submitted to this Conference and again discussed and it will not be any more pertinent or presented any better to this meeting than it can now be presented. I think we are discussing the problems that are before us right now just the same exactly as if we were to adjourn and separate into different caucuses and formulate their resolutions or motions and later present them to the full Conference. I think it would be a waste of time to permit this matter to be taken into Com-

mittees, it would be a waste of time without the guiding influence of our Chairman. I am against the motion.

Mr. FORSYTH—There are, of course, in this great country of ours different localities with different conditions and different problems confronting the elevator man in the respective localities. One locality is entirely different from another. Its grain produced is different. One man may have an elevator handling only 10,000 or 15,000 bushels of wheat and naturally his overhead charge will be correspondingly greater per bushel and his other charges will be correspondingly greater. It certainly is a greater expense for the man who is handling only 10,000 or 15,000 bushels of wheat than it is for the man who is handling 50,000 or 100,000 bushels of wheat. It seems to me an impossibility equitably and justly to fix a flat price to cover all sections of the country elevators. I don't see how it can be done with justice to some. I think that should be threshed out in each locality by itself.

The CHAIRMAN—That is all right, Mr. Forsyth, but we are speaking on this motion first.

Mr. DORSEY—I would like to say, Mr. Chairman, that you are altogether too good to us. I think you will save a lot of time if you sit down harder and limit the time taken up by the different speakers. I do not think we ought to change the method of procedure at all. We are getting along very well.

Mr. SHORTHILL—Mr. Chairman, it seems to me the greatest good that come from this gathering is that it be conducted in such a way that every interest in this Grain Trade and in the milling industries and in the commission industries will go home with their minds made up as a unit to help the President of the United States to win this war as quickly as possible (applause). I think if I could run your job 30 days and you could run my job 30 days we would understand each other a lot better. But seeing that we cannot do that let us thresh out these matters here in public and let me hear what you have to say and you hear what I have to say and that will be as near as we can get together (applause).

Further than that, I believe that this Committee proposition is all right, but when the Committees come in with their reports we will proceed to begin right where we left off when the Committees went out (laughter and applause). I hope this motion will be lost and that we will proceed and consider these matters in the most open and frank manner possible, remembering that the man who undertakes to play hog in the matter in any way

will have the American public to deal with after this war is over, and they wont deal with him very gently (applause).

(At this point there were many calls for the question.)

Mr. CLEMONS—Mr. Chairman, I would like to say a word.

The CHAIRMAN—Let Mr. Clemons speak.

Mr. CLEMONS—It is my understanding that all units represented here have had preliminary meetings to lay before Mr. Barnes and the Food Administration what they think is their side of the question. The grain men have had theirs and they are prepared to present to you what they think is their fair interest. They are ready to present that before this meeting. I thoroughly agree with the gentleman over here (referring to Mr. Shorthill). He has expressed my sentiments exactly. If we go out of here to discuss these problems separately we will come back and begin right where we have left off. I think this is the only way we will ever get together and understand each other. The thing to do is to get together. Let us get together. Let us help win this war and the quicker the better (much applause and expressions of good, good).

Mr. VAN DUSEN—I move the question. (Delegates all over the room call for the question.)

The CHAIRMAN—It is very evident that the delegates wish the question put. I understand the question is on a motion that we should separate into committees. Those in favor of that action will manifest it by saying aye. Those opposed will manifest it by saying no. It is very evident that the noes have it.

Now, gentlemen, let me present to you for your decision one other phase of our problem. It is now half past four o'clock. If we arrange with the Chamber of Commerce before five o'clock we can hold an evening meeting. What is your pleasure? (Many voices, evening meeting, evening meeting, all night if necessary.)

Those of you who wish to hold an evening meeting will please hold up your right hands. Those who do not will do the same. It is very evident that the great majority of the delegates are in favor of an evening meeting. It is so ordered.

Now we will take up the continuation of No. 5, Country Buying Margin.

Mr. PIERCE—I think the experience of last year has shown that the more artificiality injected into the grain situation the more difficulties we get into. The idea of buying grain at country stations at an even price all over this country seems to me abso-

lutely impracticable and should be abandoned. I fail to see the necessity of it.

Consider, if you please, our having decided here that five cents, we will say, is a fair amount of margin and in the winter wheat country you run into a crop like that of 1915. Now, as regards the necessity of doing anything of that kind. You will pardon me if I use this Act as a sort of text on which to preach. I refer to that authorizing the President to do certain things. You will notice Section 14 of the Act says, among other things, that the President shall from time to time establish and promulgate such regulations as he may deem wise. (Reads.) This shows by inference that besides referring to the place at which the producer shall deliver his grain and how he shall get his money that the President shall promulgate other regulations. If you will drop down a little lower in the section you will see that there is a repetition. In such regulations the President shall prescribe any conditions upon which any such producer shall be entitled to the benefits of such guarantee.

Now let us go back once more to the crop of 1915. That the farmer should without any regulations governing him to the contrary elect to haul his grain to the station, secure his own car, which he might be able to do, especially if the Governor of the State happened to be pretty strong. If that were the case he might be able to get the cars needed and load his grain. That would be an embarrassment to the part of the Government which had to do with the administration of the guarantee section of the Food Act. Consequently, is not the President empowered to say that the farmer, in order to secure the benefits of this guarantee at the terminal market named in his proclamation, which is how he must market this grain and through which channels it must reach the terminals. If that is the case, why is it not in the hands of the President to say, if he chooses, that the grain must be marketed in the ordinary way by sales and deliveries to the country elevators and then allowed to proceed in the orderly way along the lines and through the channels which have been provided for a great many years by experience and along which is all the machinery for cleaning and drying and other machinery that may be necessary in any eventuality. So why cannot we leave this question of compensation to be fixed by the conditions under which the crop is handled?

Mr. CLEMONS—Gentlemen, as many of you know, I have the honor at present of being the head of the Grain Dealers' Associa-

tion of Oklahoma, and this question is one that has been very close to my heart this past year. I have had the honor and pleasure as well of meeting Mr. Barnes on several occasions and discussing this particular feature of the grain trade. While he and I do not agree on what it costs to handle grain in Oklahoma, he has submitted figures to me showing me how it did not cost near as much to handle grain in some other sections of the country as I have been able to show him that it did cost in our State. Now, in consequence of there being so much difference in actual cost of handling grain in different sections of the United States, I think it would be eminently unfair and unjust to fix any handling margin that should apply indiscriminately to all sections of the country. For my State and my constituents I will say that we are opposed to it.

In our State there are different lines of elevators owned by different people who keep a very close tab on their handling expenses, and I have never heard one of the managers of any one of those elevators say that the handling expense under normal conditions in normal times and under normal prices has been less than five cents a bushel. I have heard other men say that their handling expense was as much as six and one-half cents a bushel during some years. It is fair to assume those people were correct. If they were correct we can figure that in our State the actual handling expense of wheat is from five cents to six and one-half cents, probably averaging five and one-half cents or five and three-quarter cents a bushel. Under present conditions with limited transportation facilities such as we have had to deal with this past year you can all perhaps arrive at a fair conclusion as to what it has cost since the Food Administration has had control of it.

I wish now to suggest, gentlemen, that we leave this proposition of a fair handling margin to be regulated by the different sections of the country themselves, the same as it has been for the past eight or nine months. If any section of the country takes too much as a handling expense, I have no doubt it will be brought to the attention of Mr. Barnes, and Mr. Barnes has means to correct the abuse. I believe that is all I care to say on that subject.

Mr. PRIDDY—I move that it be the sense of this Conference that a margin be not fixed but left open to judgment by competitive conditions as they exist in different sections of the country.

Mr. CLEMONS—I second that motion.

The CHAIRMAN—Possibly before you take up that motion you may desire to consider item No. 6, Local Mill Buying Competition?

Mr. PRIDDY—If the Chairman wishes to consider item No. 6 first I will be glad to withdraw my motion with the consent of my second.

Mr. CLEMONS—I have no objection.

The CHAIRMAN—The point is this, a great many complaints have come to us accompanied by requests that the country dealers be protected against mill buying competition by a prescribed margin. As we are going to take up No. 6, Local mill buying competition immediately, and as that more or less is correlated with what we have been discussing concerning country buying margin, we might defer the motion made by Mr. Priddy.

Mr. PRIDDY—Then I withdraw my motion.

The CHAIRMAN—Then we will take up Nos. 5 and 6 together. What about the competition that the grain dealer considers unfair, competition by the country mill agent. Have you some remarks, gentlemen?

Mr. RILEY—I wish to suggest, Mr. Chairman, that we have had this matter up in some of the meetings in Indiana where mills and elevators were practically in equal proportion in point of numbers in our territory whereby the competition would be as complete as it would be any place else, and it was the consensus of opinion of both the mills and the elevators that in order that this grain might be brought with the least possible difficulty and on a fair margin that the margin of profit should be fixed, definitely fixed, based on a sliding scale; that is to say, not less than a certain amount and not exceeding a certain price.

We all know that an elevator in a community is just as much of value as a mill and, of course, under the regulations and demand for flour and mill products they have been in effect guaranteed results. That is to say, the situation has been such that the miller has been compelled to pay the free contract zone price for wagon wheat. When he raises that or anything approaching the free contract or zone price the elevator man must close his door.

At a meeting the other day in our State they passed a resolution on the subject of grading and also on the subject of margins. One concern there that handles a great many elevators

said they needed the question of grading definitely settled whereby the mills would grade fairly, and the questions of margins settled, too, or it would be impossible for them to open their houses for grain. They declined to sign the contract last fall and will have to decline to do so again.

Another gentleman said, I have been compelled to close two of my elevators because I could not operate those elevators in competition with the mills that I had to meet, and, of course, he was very much in favor of a margin. It would seem to me, so long as we are under regulations that we must submit to the regulations but let us not have those regulations so they will bear hard on any one class of men.

I think it will be conceded by everybody that if an elevator will handle wheat it is entitled to a margin, but if the mill comes along and bids a little higher price for that wheat why, of course, that elevator must go out of business.

You were talking about the storage question a while ago. No man will take in wheat on storage without he thinks he is going to get a fair margin on his investment. My friend over there who suggests five cents of course has had experience with large elevators handling large quantities of grain. You cannot handle wheat on five cents margin at \$2.20 a bushel. You cannot get your money out of it. There is no question but the Government has the right to fix a fair margin. I do not think the Government should fix the method of handling the wheat; that is to say, that all the grain should be handled through elevators and the mills, although that would please you people. I do not believe that is a good proposition. But to say that wheat received from the farmer shall first bear a handling charge of not less than so much I am very sure nothing short of that will satisfy the people in the Central States that have to do with handling wheat.

Some States that do not handle any wheat can very cheerfully pass up the question, but we handle wheat in our country and are desirous of co-operating with the Government and have co-operated with the Government, and I presume that the grain dealers and millers of Indiana have given to the Administration as little trouble as any. They are patriotic and will do all they can, but do not put us in the attitude where we cannot earn a margin if we are up against an irresponsible party or up against a mill that does not wish us to exist. Fix a definite margin. Everybody knows we should have that margin. Now, espe-

cially since ordinary lines of competition are broken down, we certainly should have that margin. Men cannot now protect themselves; they cannot buy this grain and hold it as they used to. I have known men to buy in grain by the carload at carload prices and make money out of it because they could hold it. Now they are charged with a criminal offense if they attempt to do that. So I say it is due to the men handling this grain and making possible the saving of these crops that they be permitted a reasonable margin.

Mr. GRAMMER—Our trouble with mill competition last year was because we could not buy wheat with dockage. The mills forced us to abandon our dockage entirely. We could not get any dockage on wheat where we had mill competition. I rather think the Administration could properly police the buying of grain this season through their field agents and where complaints are made I think they should promptly investigate where mills are located and where people try to get dockage legitimately. They should police it that way like the last three months of this crop, which has been very satisfactory.

Mr. McLEMORE—I want to ask one simple question. Why will not the price which the miller will be permitted to pay fix the margin of the grain dealer? It was absolutely so last year, was it not?

Mr. CLEMONS—No, that was absolutely not the case.

Mr. McLEMORE—If that was a competitive situation that was so. I am assuming a competitive situation. Naturally a man cannot fix his own margin where a competitive situation exists and competition fixes that margin and the miller being in a better position to buy than the grain dealer will naturally set the pace for the grain dealer's margin.

Mr. CLEMONS—Yes, and put the grain dealer out of business whenever he wants to.

Mr. McLEMORE—I agree with him fully, and that is the reason I ask the question. I see no escape from an arbitrary margin, if you want to retain the grain dealer in business.

Mr. CLEMONS—I would like to say, in reply to the gentleman who has just had the floor, that in our State this year before Mr. Barnes organized a system of policing and buying wheat or requisitioning wheat from mill elevators, the same as

he did from independent elevators, that there was a whole lot of independent grain dealers who were driven out of business and glad to sell or rent their elevators to the mills, simply because the mills saw their opportunity to eliminate them from the grain business.

I presume there are men here who know what my position has been in regard to the margin on wheat and you will take from what I said previously that I have switched about or changed my mind. I see that in a different way now than I have ever seen it before and that is this—Mr. Barnes has shown me the impracticability of fixing a margin owing to the difference of cost in handling wheat in different sections of the country, but that can be controlled and be handled by requisitioning the mill elevator wheat the same as they requisitioned the independent elevator wheat. When that is done there is no incentive for the mill man who has a line of elevators to buy any more wheat at any greater price than the ordinary shipper can pay, because if he originates more wheat than he needs at his mill it will be ordered over to the other fellow's mill. Consequently he is not going to drive the independent elevator man out of business where he comes into competition with him. That is the thing that has happened in our State. The mills in certain sections of the country down there were raw enough if you will pardon the expression, to come right out and say to the elevator man, now, then, we have come to a time when there probably will not be enough money in it for you to handle wheat. We will lease your elevator if you will lease it. The elevator man says, I don't care to lease my elevator. They say, then, we will buy it. The elevator man says, I don't want to sell my business. I have no other business and I have nothing else to engage in to make a living. Then the mill man says, then we will drive you out of business, and in some instances they arranged with the railroad company and got locations for elevators and they built elevators in competition with the regular grain men at those points. But for the method that Mr. Barnes arrived at to handle that situation those people, if they had not been already driven out of business, would have been driven out of business within a short time.

Mr. WELLS—I am personally opposed to the idea of fixing a margin at the country stations the country over for this reason. In the State of Iowa they have shipped in seed wheat

in small quantities to nearly every station in the State and the dealers will be called upon to handle one or two or three cars of wheat during the year and I do not think we can afford to handle that wheat on the margin that elevators can afford to handle it in territories where there is a large volume of wheat. At the same time, I believe that competitive conditions among buyers in our territory will give the farmer a better price for that wheat and that the dealer ought not to be discouraged in handling that wheat by having a fixed margin so narrow that he will feel that he is not interested in it.

Mr. EVANS—The concern with which I have been connected for many years has been accustomed to buying wheat from farmers at as high a price as they could sell it in Chicago or at Chicago prices in order to draw wheat from a great distance. In the last few years our relations with dealers have become more intimate. We have sold merchandise to them as well as buying from them and they came to us in the last week with the statement that they could not meet their competition and we endeavored to meet their ideas by making a difference between our mill price and the farmer's price in Indianapolis so as to give the dealers a chance. But during the last year when we attempted to do that we found certain competition from other mills who were very hungry for wheat and so that was rendered impossible. We recognize that it is the law of existence that every man should be permitted to earn a living and it is very desirable that to bring about fair play that a fair margin of profit of some kind should be fixed.

Then as to the cost of carrying and handling wheat six and a half cents is that cost in one place and five cents in another. You will find varying amounts to apply in varying localities. I must say that I like the way the Grain Corporation has handled things up to the present time. In our country conditions are pretty nearly uniform but I suggest a margin of some sort, say five or six cents. That will afford relief from unpleasant competition. If the Administration will fix a fair margin that will settle all those difficulties and I am therefore in favor of that method.

Mr. HOFFMAN—The question of fixing a margin could be solved very easily by the same method as that adopted in fixing the price of wheat. But there is no question, in my

mind, but that margin should vary with varying conditions. The cost of labor, for instance, and other overhead charges will weigh much more heavily on an elevator with a capacity of 40,000 bushels than it will on an elevator with a capacity of 100,000 bushels. It might well be that the elevator with a capacity of 100,000 bushels and enjoying the same margin as that allowed to the elevator handling only 40,000 bushels might make a profit whereas the elevator handling only 40,000 bushels would lose money and be put out of business. It goes without saying that a man who handles a station where 200,000 bushels are stored will make more money than a man handling only 60,000 bushels. It is a question of location and volume of product. I do not care whether a margin of profit is fixed or whether a guaranteed price is made, but I do not see how you are going to get away from fixing a price that the country elevator man will get, or fixing a margin of profit, because you will have to pay the farmer \$2 a bushel. I am heartily in favor of policing the buying of wheat so stringently that none of us will call Yellow Berry Wheat Dark Turkey Wheat.

Mr. SMILEY—I think at one time you suggested that we submit figures showing the actual cost of handling grain based on a 100,000 bushel wheat station. We complied with your request and it showed that the actual cost of handling grain through elevators in Kansas was 4.3 cents per bushel. This did not include the invisible loss or loss in transit which we cannot figure in the cost of handling grain, for the reason you don't know what it is until the end of the current year. We believe that the elevator owners are unfortunately located in Kansas owing to the fact that there is sufficient mill capacity in the State of Kansas to manufacture 98,000,000 bushels of wheat per annum. As long as there is an abundant supply of wheat for the mills there is little or no competition. But last season and practically all of the season a number of the millers insisted upon taking the entire supply of wheat tributary to their territory. The country elevator man was compelled, when buying that wheat, to observe the Federal Rules, to determine the amount of foreign matter found in this wheat. There were comparatively few millers in the State that even went to the trouble of purchasing the device to determine what foreign matter was in the wheat which at \$2.17 per bushel on the basis of Chicago amounted to quite an item in

the cost of handling. As a result in many points in Kansas the mill would buy this wheat on the basis of No. 1 hard when there was not a kernel of No. 1 hard wheat. They wanted the wheat and they got the wheat. That is the kind of competition we were compelled to meet practically during all of the past season.

We believe that it will be impossible for this Corporation to fix a buying price that will cover the entire territory from Maine to California. But we do believe it possible for the Grain Corporation to instruct each zone management in these different zones, if a margin of profit may be determined on, to see that this margin of profit is maintained. Unfortunately, in our State the country elevators have advised me repeatedly that they are afraid to lodge a complaint with the zone management against a mill owing to the fact that the stockholders of that organization may be apprised of the fact and the manager would be out of a job. I am quite sure that is the only solution of this wretched problem.

Mr. PRIDDY—As the representative of the Texas Grain Dealers' Association I have found that the cost of handling grain through country elevators varies very much, according to the volume of the crop and the period of movement. It also varies with the capacity of the elevator. It is just the same way so far as the cost on the Pacific Coast is concerned. There a great deal of the grain is handled in sacks and it is different from Kansas where it is handled in bulk. In the same way the cost of interest and insurance and labor varies with varying territories. Your administration will find it very hard to fix a satisfactory margin to apply to the country as a whole. Of course, I feel that in most instances the grain trade is represented by men capable of taking care of themselves, but that does not apply where the different elements of cost are too great. I do feel that it will be more satisfactory if the margin of profit be left to the local committees. I again move that it be the sense of this body that the margin of profit be left to be determined by the local conditions.

(The motion was seconded.)

The CHAIRMAN—May I speak a moment on this subject. We have had this question under consideration by the Enforcement Division and the Legal Department. They say they are unable to see any way in which the Food Administration can prescribe a minimum buying margin. We have thought it is

not in the public interest to allow the mills to use their trade advantages this year to kill off the independent grain dealers and we have used what influence we have with mills in asking a correction of the abuse of the buying margin or overgrading at every point where we could get the details. In my experience I cannot recall an instance in which that was not complied with and, I think, faithfully observed. But we had great trouble in getting the details. Mr. Smiley explained that in some instances the men who felt themselves aggrieved were afraid to give the details. In such instances we were powerless. In Mr. Mullen's case we had a great many complaints against his buying places in the West. On our first request to him to maintain a fair living margin for competitive grain dealers the Colorado Milling and Elevator Company established a four cent buying basis and observed it. We have used this four cents in our correspondence with the mills as being at least as narrow a minimum margin as they should maintain and still give the grain dealer a chance to live.

On the other hand, Mr. Mullen's elevators, and he just told you that he operates 100, submitted a statement and he said in it that he was ashamed to ask anything less than four cents per hundred and he submitted a detailed statement of his yearly figures. We saw at once that the volume of grain to the elevator must be the deciding factor in a fair margin, of course. Therefore we are confronted with innumerable difficulties, such as trying to settle a fair margin in Colorado with the great volume of wheat he handles with a fair margin in Iowa or Idaho where a less volume is handled. We have tried to protect the dealers, recognizing the fact that they are entitled to protection against indiscriminate mill buying. If you do not help us on that then we do not know how we can be helped, because we have been advised that we have not the power to prescribe any minimum margin by any light the Legal Department can see.

Mr. MULLEN—I simply want to say that we operated down in Kansas two or three years ago and we found out what it cost to move a bushel of wheat down there. In Colorado, where wheat moved quickly and freely, it cost four cents. That was crowded down to three cents for four or five days and then went up to four cents.

The CHAIRMAN—Four cents per hundred?

Mr. MULLEN—Yes, four cents per hundred and in Idaho six cents per hundred.

The CHAIRMAN—The matter was taken up at once on the understanding that the Food Administration could not be called upon to undertake to say that farmers should be paid any less. We understand all that.

Mr. MULLEN—That is all right, but it was with the distinct understanding that it should be moved at once. It is true I did make a statement to Mr. Barnes showing him that on an elevator that cost \$5,000 it paid for itself in six months at four cents per hundred. Had we made it six cents a hundred it would have been more than paid for in six months. I said I did not think that was fair to the farmers, and I don't think it is. Generally speaking, most of those elevators have little other business besides that. If they handle 50,000 or 60,000 or 100,000 bushels and get within four cents a bushel you will see it will be \$4,000. There is very little money invested in the business. Then generally elevators handle other things, coal and things of that kind, so they do not depend entirely upon the money they receive as commission for handling wheat.

Another question, it is a pretty difficult question for us to undertake to equalize the disabilities of a particular location or poor facilities or poor crops. I do not think the Food Administration contemplates that we shall do anything of the kind.

In regard to the mills—I am interested, of course, in those. But we do move out two bushels where we grind one. In other words, we ship two bushels where we grind one. I therefore ought to be able to look at it from both sides and in an unprejudicial manner.

I can readily understand where a mill having to pay many times the taxes that an elevator does, having a greater number of men, having established a reputation for their flour, cannot be expected to stand still, as it were, and allow an elevator to pay exactly the same price for wheat and ship the wheat away from them when, as a matter of observation and fact, it simply means that that wheat or similar wheat has got to be moved back again into the same location to be ground up into flour by that mill.

And it would be very difficult, indeed, to bring about a condition of affairs, if you please, Mr. Chairman, where a flour mill would pay no more than an elevator where the people expect that as a result of the construction of the flour mill somewhat better

prices will be paid for wheat. The farmers expect that and they have a right to expect it. It would be a very difficult matter to put into effect an arrangement whereby the mill should pay only that exact price which the elevator pays, providing now, if you please, if by so doing they can market their product and make a reasonable profit in the conduct of their business and at the same time sell flour for less money in their immediate neighborhood than they could by sending out for the wheat. Now, that is a difficult proposition and I really think, Mr. Chairman, that we will be able to settle it in no other way save and except by leaving it to the conditions that exist but depending, at least until the war is over, upon the good will and good intentions and co-operation of the mill and the elevator and get along as best we can.

Mr. SMILEY—I do not think that we have asked any greater margin as elevator operators than is granted to the mills. As far as investment is concerned, if we are unfortunate in not having a great investment or as great an investment as some of the great mills in this country that is our misfortune. We should not be penalized for that.

Now speaking as to profit referred to by Mr. Mullen. It is true, and we will admit it, that during the period of 1914 and 1915, owing to the fact that lack of transportation facilities compelled the elevators to load up to capacity they were forced to take the enormous profits resulting from an advance in the market price of wheat of about \$1 a bushel before they could market their grain. That was speculation pure and simple over which they had no control. That good fortune was forced upon them. But that was not based on a stabilized price. All we ask of the Corporation is to allow us the same consideration that is given to the manufacturers.

Mr. ROBINSON—I would like to ask Mr. Mullen if the cost of four cents a hundred applies to his elevators in Idaho.

Mr. MULLEN—Six cents in Idaho. As to six cents a hundred I am very much in doubt whether it would cover our cost of handling in Idaho. In fact, I know that six cents a bushel will hardly let us out and pay our expenses and the interest and take care of our dockages. As you no doubt know, our shipments are made from Idaho down to the Southeastern States. We have to sell on destination weights and grades and it is very seldom a car does not run short at least five or six hundred pounds. In this export wheat, that takes a good deal of the margin. Our

exchange on all drafts is one-tenth of one per cent., which is \$3 on every \$3,000. And the diversion charges and all those things taken into account convinces me that in our section the margin out there ought to be larger than in other parts of the United States.

You have said that your attorneys have felt that you could not make a stated margin. If you take into consideration other locations and take into consideration our location.

Another question. Can you requisition wheat from a mill and have it shipped out and then requisition wheat from a dealer and ship it to that particular mill?

The CHAIRMAN—Is that just a hypothetical question or has it practical application?

Mr. MULLEN—I just want to know whether you can do that.

The CHAIRMAN—I think we can, but I think we would want to know the reason for it before we exercised a power of that kind.

Mr. MULLEN—What I was driving at is if the mill was not inclined to allow the elevator interest a reasonable profit whether you could requisition his wheat out and make him take the same chances as the elevator man takes to then get his supply from some other place.

The CHAIRMAN—I think that point will only come up when we reach a direct refusal from the mill. We have never had a request of that kind refused to my knowledge. All we lack is details from the grain men of the abuses they want corrected.

Mr. CLEMONS—I would like to ask Mr. Mullen two or three questions.

Mr. MULLEN—I will be very glad to answer them, if I can.

Mr. CLEMONS—If I understood you right, Mr. Mullen, you said you had an elevator that cost you \$5,000 at one point and that on a margin of four cents a hundred you paid for it in six months.

Mr. MULLEN—Pretty near, and it would more than pay for it at six cents.

Mr. CLEMONS—How much grain do you handle a year?

Mr. MULLEN—Just divide that into the grain (laughter).

Mr. CLEMONS—As I understood your statement, that was on the basis of your handling 200,000 bushels through your house in six months?

Mr. MULLEN—Well, if that is correct that is right (laughter).

Mr. CLEMONS—You had to handle more than that if you had any handling expenses. Now, I would like to ask the gentleman, if he has an elevator that handles 200,000 bushels and pays for itself in six months, if he would let me buy it. I want to buy it.

Mr. MULLEN—You could not buy it. I won't sell it.

The CHAIRMAN—It is not fair to ask Mr. Mullen those questions without data in his possession to answer your questions. You quote from a sworn statement that you cannot remember, do you not? And you are perfectly willing to rest on that statement?

Mr. MULLEN—Yes.

Mr. CLEMONS—I wanted to substantiate the statement by Mr. Mullen as to the cost of handling wheat in Oklahoma, as taken from his figures. The average Oklahoma elevator handles about 60,000 bushels of wheat and if you gentlemen will take your pencils and figure for a moment you will find the statement I make is correct, that it costs between five cents and six and one-half cents under normal conditions to handle wheat in Oklahoma, which corresponds with what it costs Mr. Mullen to handle wheat through a house which originates 100,000 bushels of wheat in six months.

The CHAIRMAN—Your point was perfectly proper, in comparison. The cost does vary with the quantity handled.

Mr. MULLEN—The statement I made shows that we did other business besides.

Mr. CLEMONS—I do not question Mr. Mullen's veracity.

Mr. SAGER—Mr. Chairman, are we not rather tilting against windmills here and wasting time? If I understood the position of the Administration, as outlined by you a few moments ago, correctly it is in your judgment beyond the power of the Grain Corporation to establish a buying margin.

The CHAIRMAN—That is true at present. I had in mind, if I could, developing sentiment for reconstruction of the contracts between the mills and the elevators. There may be something done by voluntary contracts.

Mr. SAGER—I speak because if it is beyond your power to fix this margin it is certainly futile to discuss it.

The CHAIRMAN—From that angle, yes. There is a motion, gentlemen, before the meeting.

Mr. MILLER—I am operating a small line of country houses in competition with Mr. Mullen in Idaho and I cannot buy grain on the basis of his margin. I keep my expenses down as low as I can, yet I cannot compete with him. I do not believe Mr. Mullen can do it, unless he makes the money out of selling and handling other products, like coal, as he suggests.

Mr. MULLEN—Have you a mill?

Mr. MILLER—I have not.

Mr. MULLEN—There is where you are lucky (laughter).

Mr. MILLER—We cannot send wheat to our own mills and make a profit out of it, as Mr. Mullen does. We have to sell to other mills and on Government grades, and, as Mr. Robinson stated, on destination weights. Therefore we cannot operate on any such margin.

Mr. MULLEN—Just one word.

The CHAIRMAN—Do you want to speak to this motion?

Mr. MULLEN—I just want to interpose an explanation. Mr. Miller and his friends are good friends of mine. He is saying that they cannot possibly operate for less than a six-cent margin. I have known them a good many years, Mr. Chairman, and to my knowledge not a year has gone by during which they have not made considerable money. They are not now any poorer than they were, and I am very much pleased to be able to say it, and they know that I know that they have done very well indeed. (Laughter and applause.)

The CHAIRMAN—We have allowed a very free discussion of this because it is really one of the important points that come up to us in every mail. There is a motion now before you that the expression is that there shall be no attempt to prescribe a buying margin.

Mr. DORSEY—Would it be proper to ask you to express yourself? I would like to hear an expression of your personal opinion. We have only a little community which, to a great extent, governs our viewpoint. Some of us have the operations in a whole State to guide their conclusions and determinations. You, however, have a comprehensive view of the whole country. I would like to ask you to tell us what you think

about it and express your views of the necessity of it and the advisability of it, if not out of order.

The CHAIRMAN—I think our attitude is expressed by the fact that we have always negotiated with the mill to leave a fair margin for the dealer. When we prescribe a minimum margin we give the grower the protection of the maximum and we pledge them in the same way. If we find that the miller is abusing that suggestion by an unfair buying basis we would seek to protect the dealer if he was paying a fair price to the grower. I think that is a fair answer. Are you ready for the question? (Many delegates call for the question.)

Mr. RILEY—Mr. Chairman, I do not care to occupy any time, but only to make this one suggestion. If the Grain Corporation desires a vote here for the purpose of determining how the country grain trade stands on this question, I should like to have the country grain trade segregated from the others. It would seem to me that the discussion of the matter ought to be left, as everything else, without any vote being taken and let the Grain Corporation draw its own conclusions without any vote, because we have a great many interests here that must be interested in that question. I think we ought not to have any vote.

Mr. MULLEN—I am neutral. Will you excuse me from voting?

Mr. SHORTHILL—If the adoption of this motion means that the Corporation will maintain fair conditions of trade in the country, I would not be in favor of the adoption of this motion at all. I think we ought, at least, to have the policy of the Grain Corporation continued with as great effect as in the past, and more in the future, if we can get it.

The CHAIRMAN—Mr. Riley, the only means you have of getting your idea before this gathering is by offering an amendment to that motion. Are you ready for a vote on the motion? I do not hear a second to Mr. Riley's suggestion nor do I hear a motion to that effect. Gentlemen, are you ready for the motion as it stands? The motion is that it is the sentiment of this gathering that there should be no attempt by regulation to prescribe a minimum or maximum buying margin. Is that right? Are you ready for the question? Those in favor will say aye. Those opposed no. (There were numerous ayes and noes.) I think, gentlemen, we will have a count on that. Those in favor of that

motion will raise their right hands. Mr. Secretary, will you count.

Secretary MOORE—Sixty-six in favor of the motion.

The CHAIRMAN—Those opposed to the motion.

Secretary MOORE—Four.

The CHAIRMAN—There is no question but that the motion is carried.

Mr. SMILEY—I think a motion was made a few moments ago that a meeting be held tonight. I would like to move that that be reconsidered, in view of the fact that a number of these gentlemen have been in almost continuous session for forty-eight hours and some of them were in continuous session on the trains coming here to New York City. Another thing, we do not come to New York every day in the year (laughter). I move that we reconsider the holding of a meeting tonight.

Mr. CLEMONS—I want to ask Mr. Smiley a question. I would like to ask him what kind of continuous sessions he was in when coming here on the train from Kansas?

Mr. SAGER—Was that motion seconded and is it open to debate? (The motion was seconded by some member.)

The CHAIRMAN—Yes.

Mr. SAGER—While I appreciate as much as many of the men here the advisability and the desirability of extending to all American citizens an opportunity for recreation under proper circumstances and when it is in order to devote our time to pleasure, yet where gentlemen have come hundreds of miles and some thousands of miles to participate in these deliberations it seems to me manifestly unjust, after the sense of this meeting has been expressed that we hold a meeting tonight and the consent of the Chamber of Commerce has been secured for that privilege, to now, in order to further the desires of some members for pleasurable excursions and a night on the streets of New York, to adjourn a great National Meeting considering a great National subject. I hope this motion will be voted down (applause).

Mr. DORSEY—Amen, amen.

The CHAIRMAN—I would say, gentlemen, that we cannot have this hall tomorrow night. It is engaged then for a regular meeting of the Chamber of Commerce. (Many Delegates call for the question.)

The question is now on the motion to reconsider and not hold a meeting tonight. Those in favor of the motion will hold up their hands. (A few hands are raised.) Those who want to continue and hold a meeting tonight will raise their hands. (Many hands are raised.) We will hold a meeting tonight.

7. Present Food Administration Reports Required.

The CHAIRMAN—In this question we do not include Coo and Doo. Have you any suggestions, gentlemen?

Mr. MAGNUSON—The report to which you have referred, made to the zone agents in the Northwest, are all right. But they are being interfered with to such an extent by other departments of the Food Administration and other departments of the Government that it is almost impossible to devise a method whereby all reports required can be made. Those required by the zone agents are easily made and those who make them have become accustomed to them and I can find no fault whatever in relation to them.

The CHAIRMAN—You realize that we can do nothing more than pass along any suggestion you have to make to another branch of the Government. I am referring now to the Grain Corporation reports.

Mr. MAGNUSON—When we have furnished all the reports asked for through the zone agents by the Grain Corporation, it seems to me the Grain Corporation might be of considerable assistance in furnishing to the Food Administration some thought along the line of not requiring so many reports to the Food Administration.

The CHAIRMAN—Have you in mind a specific instance of such reports that you deem unnecessary?

Mr. MAGNUSON—There are the quarterly reports Coo and Doo and other reports like A-9.

I have been trying for two weeks to get a copy of A-9 and so far have not been able to get it. A-9 provides for making a report which is partly food and partly feed products and we do not know whether the product that we sell is all food or partly food or all feed and partly feed. I have not been able to get a copy of that report, yet I understand, from a telegram I received today from Minneapolis, that the particular bureau that asks for this report says that unless the report is made out and sent forward by the 15th of May our license will be revoked. I do not know how authentic that is but that is likely to throw

some fear into somebody, at any rate. How can we make out that report when we cannot even get a copy of Form A-9? How can we make out the report when we don't know what it is and what are we going to do? We are perfectly willing to furnish any reports that can reasonably be expected from us.

If these zone agents who are at the present time familiar with the bookkeeping element of their own particular localities will be permitted to suggest the kind of a report and how it ought to be filled out we could accomplish the purpose of the Food Administration and there would be no question about sending it out and furnishing it to the administration. My people have been working nights to get these reports out, until two o'clock in the morning, where it is possible to get them out. It will be very difficult to get them out until we have conformed our bookkeeping methods to their requirements.

The CHAIRMAN—Does anybody else find A-9 burdensome and difficult to understand? We eliminate consideration of the forms C00 and D00 for the present. We are going to discuss those under a later section.

Mr. ECKHARDT—In fixing up the reports on the first requests we could not possibly make up reports to cover the particular requests made. My point is that probably very few people handle their books in such a way that their expenses and items that pertain to a particular kind of grain can be given without some new system of bookkeeping being adopted. We figured out the freight charges in the aggregate and what sums of money were collected in the aggregate for the various kinds of grain. Several kinds of grain cannot be segregated. The fact is that in any single office, as far as I am able to learn, there is no system by which the different stocks of grain are kept separate. It would probably mean an entirely different method of keeping the books to calculate the total sum paid for freight and the total sum advanced or the total moneys collected or the expenses involved on a given separate account of grain out of a total handled either for the three months' period or the aggregate period for the year.

The CHAIRMAN—You are speaking now on A-9?

Mr. ECKHARDT—That was C00 where we attempted to make our report. Afterwards we got a letter from the office that if we could not make up that report we were to make an application for form A-9.

The CHAIRMAN—As all these reports include coarse grain, we will take that up later under Section V and see if we cannot now eliminate discussion of item 7, under Section I. We will pass now to the discussion of the Grain Corporation's Reports. Is there any criticism on them?

Mr. WAYNE—I think it advisable to cut out as many of those reports as possible. It seems to cause considerable trouble among the grain shippers in the country. We have an instance in Illinois where a shipper has become so worried about making out these reports, fearful that he will make a mistake and fearful that he will subject himself to a penitentiary offense, that he at this time is a little off (laughter). Gentlemen, this is no joke; this is a serious proposition. This matter came to my attention a short time ago and the man is actually worrying himself into a decline because he does not think he can make out these reports properly. I state this as it came to me and it is a fact.

Mr. PRICE—I don't know whether my friend refers to me or not but I want to say that I have been sick and played out trying to make out these reports. The requirements of the report will necessitate our putting on an extra bookkeeper, which we will certainly have to do, and that notwithstanding the fact that he may be needed in the trenches by the Government. It necessitates our paying out more money than we get out of our margins. It is wrong to load these things on to us. There are so many of them that we can't keep track of them, asking us about our business six years back in 1912. It seems to me the Administration certainly could postpone that until after the war because it does not have any effect on winning this war. I can keep books fairly well myself. As an illustration of the difficulties that we labor under I want to say that when I rendered my report to the Collector of the Port he asked me about this yearly report and asked me who made it out. I said I did. Then he said, who made it out for you? I said, I made it out myself or had it made out in the office. He thought some agency had made it out for us. He said, I want to tell you that is the most complete report that ever came to my office since I have been Collector, but he could not take it apart and put it down on that blank that comes with the Income Tax.

We cannot change our system of bookkeeping so as to meet the requirements of the Government system, neither can we put in the Government system of bookkeeping because it increases

our work and we have not the help. Therefore I am here with an appeal not only from our State but from the whole Western section and the various associations throughout the Western section to relieve us from this work.

This COO is required four times a year. We don't get a trial balance at the end of every month so how can we make out a definite report? Our business the first of the year was estimated, notwithstanding we had an auditor make our annual report and trial balance. To give you definite information on this we cannot and nobody else can.

Mr. WAYNE—I wish to state that I did not have reference to Mr. Price.

Mr. CLEMONS—Regarding the reports I would like to say this, and I think every grain man making them will agree with me. The only trouble I ever had was carrying forward and deducting the amount of wheat now on hand from one week to the next that belongs to the other fellow. I started in to do that and followed it up for a short time but I soon saw that during the rush movement of grain it caused me such a great amount of labor that I had to quit it.

In the first place, I do not store wheat for the farmer but when Saturday night comes, if a farmer happens to be delivering a crop to me that is unsettled for that wheat of his is his according to these reports. I simply leave that out of the report. I don't say that I have that much wheat in my house that belongs to somebody else. But the next Monday or Tuesday, when he finishes hauling his crop and when I pay him, then it is put in as wheat purchased that week. While I have tried to follow the requirements of the Administration I am frank to confess if the Food Administration would eliminate that feature from its report it would help the grain men.

The CHAIRMAN—Your suggestion is that the weekly report which shows grain belonging to others which in reality belongs to you might be eliminated?

Mr. WAYNE—Yes. If there are elevators who take in wheat and collect storage from the farmers, that might be reported but as to wheat which is being delivered and unsettled for and where the ownership belongs in the man who is hauling or delivering it when Saturday night comes and he has not finished delivering it, I have not given a report of that because I have not given him a check. I have not reported that. When I give him his check the following week then it becomes my grain and I

report it as of that week. If that feature could be eliminated it would help the grain men very much. Furthermore, I don't believe it helps you any. For instance, I might say on one Saturday night that I have 1,000 bushels that belong to somebody else. The next Saturday night that would be eliminated because I had settled for it and it had to become my property and **would be** listed as wheat that belonged to me. In other words, the wheat that on my previous week's report was reported as belonging to some one else had now ceased to belong to that someone else and become my property. The Government gets the benefit of the report on the wheat that is actually in the elevator and that, I presume, is what it wants to know.

Mr. DORSEY—Mr. Barnes and Gentlemen, I have no personal complaint to make because I am not in the grain business. I do not have any reports to make. But I sent that letter to our members and requested them to make any suggestions or give any concrete or constructive information that they could think of as to the rules or how they might be amended or criticised, and so on. A great many were replied to, or a large number, and their uniform request was to endeavor to prevail on the administration to reduce the number of reports. While it seems to be the consensus of opinion that to make these weekly reports is burdensome and it also seems that the opinion is that the reports are too voluminous, they have made no specific complaints but just want the reports reduced.

The CHAIRMAN—I should not say that the discussion had developed any great criticism as to the burden imposed in furnishing to the Grain Corporation the reports required. This suggestion as to alterations will be considered carefully and we will see what object they serve. Are you satisfied to leave Item No. 7 to the discretion of the Grain Corporation? (Many affirmative responses.)

It is now five minutes of six o'clock. Shall we attempt another item or shall we adjourn to meet at eight o'clock?

Mr. DORSEY—I move that we adjourn until eight o'clock.

Mr. WAYNE—I second that motion.

Mr. MULLEN—I would like to offer an amendment and that is that we adjourn until 7:30 o'clock. Let us compromise.

Mr. CLEMONS—I second the motion that we adjourn until 7:30 o'clock.

The CHAIRMAN—The question is on the amendment to the motion which is to the effect that we adjourn until 7:30 o'clock. Those in favor? Those opposed? It would seem that the motion to adjourn until 7:30 is carried. We will now take an adjournment until 7:30 o'clock this evening.

Conference adjourned until 7:30 P. M., April 30, 1918.

April 30th, 1918.

7:30 P. M.

CONFERENCE RESUMED.

The CHAIRMAN—Gentlemen, it is past the hour we set for continuing our Conference. We will start on Question No. 8 of Sub-division I.

8. *Has stabilized price reduced hazards of business? (Country Dealer Problems.)*

What is the expression of the country dealers as to whether a stabilized price has reduced the hazards of business?

Mr. PERRINE—I do not think there is any question but what the stabilized price has reduced our hazard of obligation. A man knows before he buys his wheat what he is going to get for it. I think to that extent it has made the handling of wheat less hazardous than usual. We have had no question of hedges or best market to consider at all. It has been a proposition of just what market we can buy from.

The CHAIRMAN—Then there is a very perceptible hazard removed from the country elevator business by the stabilized price?

Mr. PERRINE—Yes, I think that is true.

Another MEMBER—Profits, too.

The CHAIRMAN—Has any other country dealer any expression on this?

Mr. GRAMMER—I would say that the stabilized price has reduced the hazard to a minimum and, in my case, it has produced more golfing days and more sleep than any crop I ever handled.

The CHAIRMAN—Gentlemen, are you satisfied to leave Question No. 8 to be handled in the discretion of the Grain Corporation? It seems to be the general opinion that the stabilized price has removed at least an appreciable amount of hazard from the business of the country elevator, anyway.

We will go to Question No. 9.

9. *Country dealers attitude as to encourage farm marketings of wheat. (Country Dealer Problems.)*

Is there any question about the country dealer being indisposed to encourage his customers' marketing of wheat from the farm, because of a narrower opportunity under present conditions? Is there any attitude at all on the part of any appreciable percentage of the country dealers that you desire to express?

Mr. SHERWOOD—May I inquire what the Chairman means by a narrower opportunity?

The CHAIRMAN—It is quite evident from the testimony here today that the general feeling of country dealers is that without their customary hedging and storage carrying charges that they conceive they have a narrower opportunity under our rules. In that sense I was using that expression. If you don't feel that way I would be very glad to have an expression from you.

Mr. SHERWOOD—I will say that is not my experience of the past two months.

The CHAIRMAN—That is, you are quite satisfied with the opportunity left in your business by these rules and policies?

Mr. SHERWOOD—We have suffered particularly on account of a short crop but not on account of the Food Administration's regulations in the marketing of wheat.

The CHAIRMAN—Speaking directly to the question now, your attitude has not been to discourage the marketing of wheat?

Mr. SHERWOOD—Certainly not.

Mr. CLEMONS—In behalf of our country grain dealers and thousands I have talked to in Conventions and other places I believe that I may safely say that every one has manifested an attitude of wanting to hustle wheat to the market.

The CHAIRMAN—May we fairly conclude that is the attitude of the country dealers? (No response.)

10. *Has the country dealer earned fair return during the past year? (Country Dealer Problems.)*

We will now take up Question No. 10. And qualify that, if not, was it due to poor crop return? Or in what respect was limiting of opportunity due to Food Administration rules?

Mr. PRICE—I was confirmed in my judgment last year that some of the rules would work a hardship, but we do not hold

that against anybody. We dropped about \$12,000 on the movement of wheat, but we did not lose money on the movement of the whole wheat crop. That is because the price fixing came in the middle of the movement. We had the wheat.

I did not intend to start anything like this, but to explain it to you I will say that we had this wheat bought and a good bit of it was in transit. All of a sudden the mills went out of the market and the farmers wanted to press their wheat in and we were a month late. They were crying to get their crop off their hands to get in the new crop on account of the lateness of the season, so we decided to take the wheat. We did not think the price would be reduced. The price was reduced for reasons which evidently were right. We are not complaining. But you asked the question, did anybody lose? We did lose \$12,000.

The CHAIRMAN—I think you ought to qualify that because those losses took place during August and July when there was nothing to guide ourselves by. I mean under our operation.

Mr. PRICE—No, not after this operation was put in effect. That was all right.

Mr. SMITH—There were several severe losses taken in our country by people willing to back their judgment on the administration not fixing the price of wheat. Had the price fixing been made a little earlier it would have stopped a few of those losses. But I think every one is about ready to accept his loss and the country elevator in our territory has certainly had the best of it under your regulations and the direction of his wheat for the past six months or more.

The CHAIRMAN—You think it has at least offered a fair return?

Mr. SMITH—To the man who owned a country elevator, yes, but not to a storage elevator at the interior point.

Mr. DERBY—On account of competition, the mills, after signing the agreement with the Government, lost money. But the year's business was very profitable. We handled grain.

The CHAIRMAN—Where are your points?

Mr. DERBY—Kansas and Nebraska.

Mr. CLARK—That was the point I was going to ask, whether they were speaking as to wheat or combined business of wheat and coarse grain?

The CHAIRMAN—They mean as a whole, and yet I will be very glad if the explanations carry out the different features of one.

Mr. CLARK—Our stations made very little money.

The CHAIRMAN—Let me ask you again, do you feel that the wheat disappointing return was partly due to poor yield?

Mr. CLARK—To poor yield, and, more particularly, to the small volume.

The CHAIRMAN—I do not want to put you in the attitude of admitting something that seems to excuse any regulation of ours that limited your opportunities. I just want what your actual experience has been.

Mr. CLARK—I think the earnings on wheat have been pretty light. We had three stations on wheat exclusively that handled about 20,000 bushels, three of them. I think they show a net of \$3,500.

Mr. VAN DUSEN—We do not close our year's work until July or August, so that I think that any figures made up are more or less an estimate, but I think I can safely say that any of the larger line elevator companies that made any money in the Northwest made it through being forced to speculate on the coarse grains. Their wheat earnings were very light, partly because the crop was light, but partly because of the expense they were forced to in carrying this grain, because they could not get it shipped. They were helped out because of the very unusual advance on coarse grains and which they may have had in their houses and which they could not get shipped before.

Mr. PERRINE—In the territory that I am more familiar with, Illinois and Southern Iowa and Missouri, the short crop, of course, cuts down our earnings; but the fact that we were working on a stabilized price forced us to buying wheat on a narrower margin than we normally bought it, because the farmers in several instances in those three stations, who had a number of stations, started shipping wheat themselves. As soon as one farmer did that it became common knowledge as to just what the net result was in shipping wheat on the stabilized price. So we were forced to handle wheat on a smaller margin than we normally would. The transportation situation also forced us to carry wheat longer and reduced the profit accordingly.

Mr. MILLER—Our experience, I think, has been similar to that of the gentleman from the northwest. We have not closed our books yet, and will not do so until about the 1st of July, but I am satisfied that our wheat earnings will show us a loss because we are not able to operate on the basis that Mr. Mullen is able to operate his houses. We cannot handle wheat on that basis. While we, like some of the other gentlemen, have been able to make some margin on the coarse grains, although our crop was limited and the quantity we were able to handle has been much smaller than previous years, it is going to help us out. But we do not hope to do better than to get out about even on the season's business.

Mr. MULLEN—That is bound to occur in war times.

Mr. SAGER—In the section of the country where our elevators are located mainly, on the Burlington & Illinois Central, I think most of our neighbors perhaps in the handling of wheat have made very moderate profits, indeed, but that was due in a measure to their lack of familiarity with the new grading which calls for dockage. Never prior to this year have winter wheat dealers had to allow a dockage, and they generally bought wheat from farmers without realizing how much that amounted to with wheat better than \$2 a bushel, so they ran into some losses on that account. They were also handicapped, in a way, in getting wheat forward rapidly by reason of the short car supplies, and on \$2 wheat the interest charges mount up more rapidly than most had figured on, so that the net profit on the operation so far as wheat is concerned I think has not been very satisfactory. But they are, of course, now more familiar with the grading and dockage system and perhaps are in a better position to figure closely on another crop campaign.

But as to the general net results of the year's operations, I think it has been in the main quite decidedly satisfactory to those of the country elevator operators with whom I am acquainted, and I know it is at our own station. Corn has been bought on a much larger margin, due to risk assumed on account of the condition and quality of the corn, and yet the market, much to their surprise, has taken their corn at better prices than anticipated, and that has resulted in very handsome profits in the handling of the corn by country dealers in most cases. So I think that the net results for the year are fairly satisfactory.

Mr. GORDON—I am not in the shipping business but I am in the consignment business. As a consequence I come in contact

with a great many country shippers, and I have heard a great deal of complaint from shippers in reference to wheat because the farmers are so well posted they did not give the dealers a chance to make anything on wheat. The farmers would load up a car and ship it out themselves and therefore the dealers were deprived of that profit to which they were entitled. But, on the other hand, they made handsome profits on corn and oats, and, I think, as a whole, they are satisfied, but not on the wheat proposition.

The CHAIRMAN—Mr. Shorthill, what is your expression?

Mr. SHORTHILL—I have heard of one operator who made a very handsome profit on wheat after the Government regulation was put in effect because he began buying it on the basis of yellow and shipping it into the market, and it was graded on the same basis, but later graded and put in the dark class. And he continued to buy because he did not want to change the basis on which he bought from the farmers, so he got the advantage of any change of the grade. He made a nice profit out of the wheat business.

But, Mr. Chairman, as a rule I think the elevator operator with an average volume of business has not had very large profits since the Grain Corporation took charge of the handling of wheat. Most of the profits that were made were made prior to that time in the wheat business.

The CHAIRMAN—Most of your elevators operate in Nebraska?

Mr. SHORTHILL—In Nebraska and Kansas, Iowa, Illinois, Minnesota and the Dakotas, and in Indiana and Ohio.

The CHAIRMAN—Is there any question, as a whole, considering their income from all grains but that they have had a fairly satisfactory year?

Mr. SHORTHILL—Yes, they have had a satisfactory year as an entire business. I think the greatest complaint any of them has had has been due to unfair competition, as they term it, coming largely from mills and some from some other grain dealers.

The CHAIRMAN—The impression I get from the expressions here is, regardless of whether the earnings were from wheat, it seems quite sure that much of the opportunity in wheat was limited partly by poor crop, but as a result the country elevator's business has been quite satisfactory for this year. Am I wrong?

Mr. VAN DUSEN—I don't think I want you to get that impression from what I said, because any profit that is made through speculation should not be considered in that way as a legitimate result of the opportunities of our business, and that is where profits were made in the northwest that were made by country elevators. Such profits are not satisfactory profits.

Mr. SHORTHILL—Referring to the entire year 1917, the profits that were enjoyed by the country elevators for that year in most of this territory I think could be rather accurately defined by the use of the word enormous. The profits have been very large doing business as a whole.

The CHAIRMAN—You mean for the calendar year?

Mr. SHORTHILL—For the calendar year.

The CHAIRMAN—I am speaking of the crop year from July 1st.

A MEMBER—I have in mind one co-operative elevator that made \$17,000 on a \$12,000 capitalization. That was not a normal profit, however, but was due simply to the lucky holding of stock they could not get rid of on account of the car supply.

The CHAIRMAN—And to that extent the result was not unsatisfactory.

Mr. SUTTON—Speaking for the dealers of the Pacific Northwest, your conclusions are entirely correct so far as we are concerned. Dealers out there are entirely satisfied with the way the Administration has carried out its ideas and rules and regulations. As has been stated, the coarse grains have taken care of any small loss on wheat at the different stations or in different sections.

The CHAIRMAN—It is not quite fair to separate the coarse grains from wheat entirely because one of the policies we discussed in Washington and finally formulated for your approval and discussion August 15 last was that we would try to maintain the field of independent commercial initiative in coarse grains and would look to them to make up somewhat the loss of profits in ordinary wheat sales.

Mr. WELLS—The profit in handling coarse grain has been unusually fortunate. Ordinarily we have a soft spell in January which did not appear this year. The corn throughout the corn belt is generally heavy with moisture. Had there been warm weather in January the country dealers would have experienced

some very severe losses, which would have been worse during the last few weeks. We have had dealers in Idaho that have had enormous losses during the last few weeks. A dealer who came to my office not long ago lost \$1,800 on two cars of corn and any number of them have lost several hundred dollars on cars because of heating, because of weather conditions. This same weather condition might have occurred in January. The dealers, fearing that situation, have been very conservative, so the profits they have earned from corn have come very largely on that account.

Mr. PRICE—We have not had any corn in our elevators. It is not a safe proposition to handle it. We were 35 days at one time with one elevator where we could not get a car and everybody else trying to get a car. You could not buy under those conditions. We are not handling corn and are not buying or selling this year's crop.

The CHAIRMAN—Gentlemen, are you satisfied to leave this point with us?

Mr. MULLEN—We have quite a few elevators down there and did not operate one of them at all. We lost money.

The CHAIRMAN—What about your country elevators, as a whole?

Mr. MULLEN—In Kansas?

The CHAIRMAN—No, as a whole everywhere.

Mr. MULLEN—We came out all right. But, of course, you must take this into consideration: on account of the change in the zones we were required to ship out wheat from a particular zone and as a consequence we had to carry a large amount on storage. And carrying that large amount of wheat, as we did, then came on this 3 per cent. on freight which amounted to one cent a bushel. It counts up pretty fast. Where you have to pay 60 cents a hundred dollars exchange, that is well onto two cents a hundred pounds wheat. Of course, every one that held wheat had to stand an additional loss. Otherwise, I think we will come out all right.

Mr. ROBINSON—Ninety per cent. of this is wheat handling. In other words, 90 per cent. of our business is wheat. While we have not been able to close our books, I am quite satisfied that our wheat business will net us a loss for the 1917 crop; in fact, I am positive that it will. As we handle but very little

oats and barley, I think we will come out in the "red" on this year's business.

The CHAIRMAN—Did you operate in a short crop section?

Mr. ROBINSON—No. While we operate in some short crop sections, our average, our total amount of wheat, was a little more than we handled last year. Of course, we had the dockage and also the war tax and that amounted to quite a good deal of money. But I am positive when we get our books closed we will show a loss on our wheat business.

The CHAIRMAN—Mr. Perrine, let me clear up a point. When you spoke of the farmers forcing you to buy on a narrow margin of profit, you meant that was because the farmer made direct shipments and you meant direct shipments to any commission house?

Mr. PERRINE—Yes, he shipped to his nearest market.

II. TERMINAL PROBLEMS.

1. *Elevators.*

Mr. SMITH—I attended two meetings yesterday and there was a great deal of discussion about what constituted a terminal elevator, and the terminal problem was one that was not quite solved at midnight last night. I have a little feeling that I am located at a terminal point which has not been recognized fully and I would like to have the Chairman give us his idea of what a terminal elevator is.

The CHAIRMAN—I think a fair definition of a terminal elevator as distinct from a country elevator is an elevator that receives its grain entirely by car or by boat.

Mr. SMITH—That is a very satisfactory definition of the term to me.

The CHAIRMAN—That is not a terminal point, but a terminal elevator.

Mr. SMITH—I understand that. I have tried to refrain from any discussion of the country elevator troubles.

The CHAIRMAN—Speaking to Clause a under the general head Terminal Elevators and the sub-head of elevators, that is the published scale of charges for service at all points. What I want to try out is whether there is any feeling that those schedules as now published and in effect are inadequate?

Mr. SMITH—I will have my little say and get through. Quite recently the Oat Supply Committee made a contract with storage elevators, whether terminals or otherwise, that is quite satisfactory, and I believe that the scale is a little higher than the contract you sent out to the storage elevators for signatures. I would state that the scale of charges for service as offered by the Grain Corporation is not quite satisfactory.

The CHAIRMAN—I am speaking now, Mr. Smith, directly to the published tariff of those elevators themselves.

Mr. SMITH—Oh! Well, I have a published tariff of my own that I think is quite satisfactory to me. I will let the others speak for themselves. That is on file in your office.

Mr. PIERCE—Answering on that question for Chicago I can say truly that the charges for public storage there have never been adequate based on the amount of business that comes naturally to those elevators. We are never able to use our public elevators to anywhere near maximum capacity, unless by merchandising grain and putting it in the houses ourselves. If the charges have not been sufficient in the past they certainly are not at present, for while our labor scale has advanced materially within the last twelve months, even with this advance we are not able to secure a sufficient amount of help, and when I left Chicago the concern with which I am connected at a conference of its officers to see whether we would at this time advance voluntarily wages of employees to secure enough from competitive manufacturers in the districts where our elevators are located discussed that problem, and also whether we would wait for the future. So I think it is fair to say that those charges are not at the present time equal to what they should be, but we are compelled under the Illinois Law to advertise on the 1st of January our maximum charges for the preceding year, and they are in that respect invariably fixed for the next year to the 1st of January, 1919.

The CHAIRMAN—You mean that you have to stimulate the movement of grain through those elevators by merchandising?

Mr. PIERCE—Yes.

Mr. HALL—I do not know where public elevator charges are as low as in the southwest, and especially Kansas City. They are practically one-half of what they are in the Far West, and unless we can get a volume of business it is impossible to operate

our elevators on that basis of charges profitably. I want to go on record here as stating that charges at Kansas City are absolutely too low to justify the handling of grain, unless we are permitted as elevator men to accumulate and carry on storage and increase our volume of business as grain merchants.

Mr. CLARK—I think that is true of St. Louis. The same situation is true there.

Mr. SHERWOOD—It occurs to me that if the right were taken away from the terminal elevators to buy and mix, they would find it impossible to handle grain on the present margin and there would be fewer buyers in the market and less facilities for marketing wheat. Under normal conditions of the past it seems they served a very valuable purpose, I hope with profit to themselves, to the farmer and to the country elevator man. Should we have a large crop this year it would seem to me very unwise to consider for a moment cutting them out of that business, and I look at it strictly from a country viewpoint.

Mr. LINDERHOLM—About a year ago we changed our rules down there, making the rate one cent for the first ten days and one-thirtieth of a cent for additional time. But so many things have entered into the cost since that time that I think those rates should be materially increased at least 25 per cent.

On top of that I would like to go on record here as saying that Omaha or Kansas City or any of those terminals should be put on a parity. I do not know why any market in the Middle West or the West should have any more for doing the same service than any other market. I think about one and one-half cents for fifteen days to cover storage and loading out and one-twenty-fifth of a cent per day storage after that would be about the right compensation for the coming crop.

Mr. MITCHELL—The difficulty as to a proper or suitable charge for storage varies in different parts of the country. I do not know that we are competent to say what should be done. I do not know that we should come here and ask you to pass on any special list of charges for any special section. At the same time we have felt the high cost of living and wages and in some cases advances have been made in the past year and I think more will be necessary in some sections. What we want and can fairly ask for is governed by something like this, that the Wheat Corporation will base such reasonable advances in elevator and storage rates as seem likely to be necessitated in some

localities by the increased cost of operation, and further that the Government will pay the going published rates. I do not know that we can ask you to go any further than that and I offer that as a motion. (Motion seconded.)

The CHAIRMAN—I have no choice but to put such motion as you may want or make, but do you want to go on record here? We are here for conference.

Mr. MITCHELL—I simply wish to say that it seems to me it is the general idea that we cannot lay down certain specified rates and ask whether they are exactly fair or not. We have felt that the high cost of living has justified an increase in the labor cost and we believe that a request for an adjustment not unreasonable will not be opposed by you.

The CHAIRMAN—I think I can make that assurance.

Mr. MITCHELL—I am quite satisfied.

Mr. SEARLE—I think it is customary in most terminal markets, in fact I think it is required, that the terminal charges be published each year. That is so in the Northwest and in Chicago, and most other States require it. It is reasonable to suppose that the published rate is not more than can be justified because the proper body to whom the rate must be presented for approval usually or should pass upon it before it becomes effective. So it seems to me only fair to assume that the regular published rates at the different terminal markets are fair rates and should be paid.

Mr. PIERCE—Under the Illinois Warehouse Law we are allowed one and one-half per cent. as the maximum charge. I seconded Mr. Mitchell's motion and I feel very well satisfied to stand by that second.

The CHAIRMAN—I understood Mr. Mitchell withdrew that motion.

Mr. MITCHELL—I do not ask that the motion be put.

Mr. HALL—The conditions in St. Louis are a little different from some of the other sections, as far as the rate we are operating under at the present time is concerned. It is not our published rate; it is somewhat lower than the published rate. The volume of business we have handled there during the last year has been very small and none of the elevators have been

making anything like their expenses on their wheat business. Since that rate was adopted we have had one or two labor advances and we have very heavily increased our watchman service. Our other expenses have been very greatly increased and we have another labor advance to meet immediately. I think we would want to consider proposing a slight advance, enough to take care of the other expenses.

Mr. SMITH—Among some of our other troubles, I happened to be President of an Elevator Company in St. Joseph, and we are confronted at this time with an increase in the labor cost and with an increase in the cost of coal and a very material increase for the electric power that we use, the Public Utilities commission of the State of Missouri having allowed our Power Company practically a 60 per cent. increase in the price of their power, so we are confronted with additional expense in operating our elevators. It would be somewhat reassuring if we had the assurance of a small advance by the Food Administration.

Our rate now is three-quarters of a cent for storage and three-eighths of a cent for elevation, and it happens to be a house that works pretty full, that is, there are several grain men interested in it. It is a simple warehouse proposition.

The CHAIRMAN—I would like to ask some of you representative elevator men a question. I will ask you, Mr. Hall, first whether a larger crop on your present schedule would not adequately meet all expenses and furnish you with proper earnings?

Mr. HALL—If we were to operate to full capacity and get a reasonable return, of course, provided we get the wheat. We have had a similar experience to that Mr. Pierce related a while ago and we have never been able to get any grain to put in our elevators except as we forced it in that way and we had to resort to merchandising to get our profit.

The CHAIRMAN—The present outlook in your territory, as you see it, is rather reassuring?

Mr. HALL—Quite favorable.

The CHAIRMAN—Mr. Pierce, what do you think?

Mr. PIERCE—I think it is fair to state that if we secure a crop as high as 850,000,000 bushels, for which I think there is a fair promise to-day, judging from what I am reliably told re-

garding the spring crop, that even at Chicago the Government might accumulate a sufficient amount of wheat in the public elevators to make them possibly break even, but I don't think any more than that. Of course, it depends somewhat upon any readjustments that may come, or any adjustments that may come, rather, as regards the relative prices which the Government through its agents may pay at Chicago for wheat. Of course, Chicago as it stands to-day if the minimum prices should become the maximum prices or the maximum prices should become established, between which there was some relation as regards the difference as it is at present between the minimum and maximum at Chicago then Chicago would not secure what she is fairly entitled to as regards the stock of wheat. For example, as between Minneapolis and Chicago there is but a three cent differential while the freight differential for most of the territory will be seven and one-half cents. There is a large amount of territory from which Chicago is rigidly excluded by inability to get grain to Chicago by any better than the local rates from Minneapolis to Chicago. Then when we turn to the Southwest and West we find Omaha and Kansas City with a five cent differential. I think, perhaps, I am anticipating so I will stop.

But in a general way I would say if Chicago was put on a fairly competitive basis, so far as ability to draw wheat is concerned, under whatever stabilized price may be created, I think we should be able if we get a crop as large as 850,000,000 bushels to secure enough wheat for our public storage to make the houses fairly remunerative, even at the present rate.

The CHAIRMAN—How about Kansas City, Mr. Hall?

Mr. HALL—Kansas City is located in a section where our wheat will begin to move earlier than most of the crops and I presume you will draw largely from the Southwest to supply your export and milling demand in the Northwest, so I look in the next few months for a very large movement of wheat and probably a large portion of the surplus will move out during that time, if transportation facilities are furnished. If we can accumulate a stock after that period and have a sufficient stock to carry we can probably pull through and come out a little ahead of the game on the storage proposition, if we are permitted to operate our elevators not only as public elevators but as private elevators, with our taking that volume of business that we pushed to them.

The CHAIRMAN—I understand that the Minneapolis group, with a scale of one and one-half cents, have no suggestion as to the need of an advance if they have the volume?

Mr. SEARLE—I think no advance is contemplated, at least I have heard no suggestion to that effect.

The CHAIRMAN—What about Clause b?

b. In what respect was limiting of opportunity due to Food Administration Rules? (Under No. 10, Country Dealer Problems.)

Mr. SMITH—Before we proceed to Clause b, I do not think it is an unfair question to ask why that question is asked at this time. I do not hesitate in the least to debate the question, but what I would like to know is, so as to be able to answer intelligently, why that question is pertinent to the Food Administration?

The CHAIRMAN—What I want to draw out is the opinion of the elevator operators as to whether elevators should operate solely as public facilities or whether it is partially necessary to stimulate the business of such elevators under the present schedule and crop shortage by permitting them to do any merchandising?

Mr. SMITH—Again may I ask what has that got to do with the Food Administration?

The CHAIRMAN—Put it on any ground you want, just curiosity, but I would like it in the record.

Mr. SMITH—All right, we will just answer it on that basis.

The CHAIRMAN—All right.

Mr. SEARLE—It seems to me that all we need to do to answer that question is to take past experience. Twenty years ago, when public elevators came into being, to quite a degree they were operated just as public terminal elevators and the operators were not in a general way grain merchants. As time went on the business kept dropping away and continued doing so to such an extent that in order to make business for the terminal elevators it became necessary for the elevator operator to enter into the business of grain merchants. I think it is safe to say that prior to any food regulation anywhere from 75 to 90 per cent at least of grain going through terminal elevators was purchased by the operator of the elevator. I think that answers the question

whether it is necessary for them to act as grain merchants. I think it is very necessary.

The CHAIRMAN—What about the Seaboard Elevator?

Mr. SEARLE—That possibly would not apply to the Seaboard Elevators. I would ask some Seaboard operator to answer that question.

Mr. PIERCE—I would like to answer the question from my point of view. The question is one of economy and efficiency against the reverse. There will be no possibility of a public elevator of equal capacity where a private elevator being operated for the general uses of the public is in competition with any possible degree of equal efficiency. There will be no possibility of successful competition with the operation of a house of equal size as a private elevator. It is hardly necessary to elaborate on that among grain men. But it is not very difficult to conceive the fact that an elevator which may be run week in and week out on corn, oats or wheat, or if necessary run a day or week on wheat and then switch to corn and then to oats can be operated much more efficiently and economically than the one in which perhaps 20 different concerns each morning have to struggle to have each his special business done first, his struggle beginning at 7 o'clock or whenever the elevator opens. Each man will struggle to have his business done first and then, of course, there will be more or less favoritism creep into a situation of that kind. I think to an experienced grain man that the difference must be very apparent without very much further argument.

Mr. SIEBENS—In answering in part to your question we have in mind a rather clear case. In a recent investigation it was developed that the largest railroad run elevator, housing a million bushels, lost last year \$10,000 after paying no rent in Kansas City. The rent charged against it would make the loss about \$22,000 or \$23,000, proving rather conclusively that no public elevator can succeed in Kansas City. It is a well known fact that public run elevators do not pay expenses. One fact that you people have not commented on is the fact that these elevators are all public elevators but where public service is performed at the same time the successful elevators are run by practical merchants and by the addition of their merchandising they are able to overcome the cost of elevation. Inasmuch as Kansas City is a market somewhat unique, having a great many diversified inter-

ests in it, it would be in my judgment at this time improper to increase the charges, if we can get along without doing so. I do not feel it is the time to increase any charges if it can be avoided. As far as Kansas City is concerned, it would be absolutely impossible for these public elevators to run without a loss amounting to as much as present expenses operated solely as public facilities and without doing any merchandising. You could not get out of them half of the revenue they now bring; in other words, the charges would have to be doubled to make them even pay expenses.

Mr. MASON—Mr. Barnes, I can bear out clearly what Mr. Siebens has said. We were able last year on a short crop of wheat in Nebraska by means of handling a great deal of wheat for the Food Corporation at a price that we would not have been able to take care of it had we not had the merchandising. Further, I would like to ask why this question is so worded, should elevators operate solely as public facilities and not do any merchandising? Does that refer strictly to wheat or do you include coarse grains?

The CHAIRMAN—You may have it in any sense. I want brought out your viewpoint.

Mr. MASON—I believe I may say from my own experience, and I have run an elevator of a million and three-quarter bushels capacity. I think it would be an economic loss to run it as a public elevator.

Mr. McMILLAN—We have in Minneapolis two elevators owned by the railroads that are operated as public elevators. One is operated by the Chicago, Milwaukee & St. Paul and the other by the Great Northern. Both of them were forced to abandon that business. The Milwaukee Road finally tore down their elevator. The Great Northern leased theirs. I think the reason why an elevator cannot be operated successfully as a public house may be made apparent to any one. There is rarely a time when grain is put in an elevator by a grain merchant that he shows any profit on the operation. The grain is held, cleaned and mixed, and finally disposed of as the result of the merchandising operation. There is no incentive for the public to put grain into an elevator and the volume becomes very small. Where it is put in by competitive operators each one naturally wants special consideration so as to compel the elevator to handle grain in accordance with his own ideas. The

result is that the storage space of the elevator is not utilized. It would take a great many bins to take care of the grain of a great many individuals. We had, if I remember right, in our elevators at Duluth this last year something like 38 different grades of wheat which we were handling for the Grain Corporation. If you could multiply that by a dozen or fifteen concerns I think you would see the extreme difficulty of putting a volume of business through the elevator so that the space could be utilized to any large extent or to any large advantage whatever.

Mr. PIERCE—One point I was mistaken in and that I want to correct. That is under the Warehouse Law of the State of Illinois, which is a very rigid law and made effective by the Constitution of the State, and that law has to do with public warehousing. A public warehouse is not allowed to have any cleaning machinery, consequently a public warehouse in Illinois would not be of much value for the general grain trade or for general grain purposes. As far as storage purposes are concerned, I wish they were much more popular than they are.

Mr. SMITH—When I stated that my storage charges were entirely satisfactory I was addressing myself particularly to Clause a, Scale of Charges for service. But if I were forced to depend on public service charges I would be glad to meet some gentleman who had enough Liberty Bonds to buy my elevator at its appraised value or its actual value. I could not operate at all on my charges without a merchandising profit. I would be glad to go out of the merchandising business and operate to full capacity on my charges, but without the merchandising feature my elevator would be worth about 33 1-3 cents on the dollar.

The CHAIRMAN—Is there any one here who represents a community that is suffering for lack of public facilities in the way of elevators?

Mr. HALL—I think St. Louis is a great sufferer because of lack of elevator facilities (laughter), but whether they can be operated successfully as public elevators open exactly to everybody on the same terms I doubt. At least the experience of the market has been that there never has been a public elevator, in the sense you have in mind, operated successfully. It has been tried several times and it has always resulted in failure. The one or two public elevators that I know of in the

country that have made their expenses at all, while they are nominally open to the public are really operated on a favorite basis. There is no doubt but that one or two firms control the facilities of those elevators. Anybody else who tries to get in gets left. I think that under anything like the difficulties that we have operated on in the past that a public elevator can be operated successfully would depend entirely on the general public giving it the business and as a matter of fact I do not think a public elevator can be successfully operated that depends on the general public to give it the business.

Mr. BINGHAM—I do not know of any city equal to Indianapolis that is so poorly off for elevators. We have no public elevators at all and we have not sufficient facilities in the private houses to take care of the grain that comes to that market. Of all the markets that I am acquainted with in this country I know of none that are as absolutely short of elevator facilities in proportion to the importance of the market as Indianapolis.

Mr. MULLEN—Out West, where additional acreage is being put in grain continually and where new tracts of land are being opened up, there is a great need for additional elevators, so that the farmers can haul their goods in and find a market for them.

The CHAIRMAN—You are speaking now of country elevators?

Mr. MULLEN—Yes. You are not referring to them?

The CHAIRMAN—No. What I want to know is whether there is any representative of any market here who feels that the merchants are not given a fair opportunity for the prosecution of ordinary legitimate merchandising forwarding business because the elevator service is all controlled by private operators, and whether even in those markets where there are private operators the elevators are open to them and on fair terms.

Mr. MULLEN—I do not think in our section there is any storage done. I know we have not stored a bushel of wheat for ten years and we have a good many elevators. Probably Mr. Robinson knows about them, but I don't know. There is very little of it done. But he may be better acquainted in that respect than I am. I would like to hear from him about it.

The CHAIRMAN—I assume that that situation presents no very serious abuses, then, or at least I assume so from the paucity

of complaints. Let us move to Clause c, the mixing and treating of wheat for higher grades, under which we may consider the sub-head, should scale of charges be made for this and open to all.

Mr. MOORE (Kansas City)—Regarding the last clause, should elevators operate solely as public facilities, I would like to put myself on record but not with a view of airing any trouble Kansas City may be having. There have been complaints of that nature in the Kansas City market. Signs point to an adjustment of the difficulties which make it untimely to start a discussion of the matter at this meeting.

The CHAIRMAN—We will speak now to Clause c. Is there also, in your view, a natural reason why the mixing and treating of grain can be done better under one control and as a whole than if facilities were open to every merchant to do it?

Mr. McMILLAN—I touched on that point in discussing Clause b. I think that illustrates the difficulty of attempting to do that character of business generally for the public.

The CHAIRMAN—I presume that is the general view of the elevator men. Are there any delegates who differ from that view?

Mr. SMITH—I operate a semi-public and private elevator, about half and half. I afford the same facilities for any grain merchant in our market or territory that I obtain for myself through our houses. I have a schedule of charges and provide for the mixing and raising of grain for any of them, shippers or owners, and they may take advantage of that privilege in my houses just the same as I have the privilege. I understand that the Food Administration has rather frowned upon elevators mixing grain and raising the grade, but I think they should be permitted to do so. I have handled but very few cars of wheat for the past few months, but I have been able through my mixing ability to take in all grades of wheat and turn it out under direction of the Food Administration as milling wheat, and I cannot see but what the general purpose of the Food Administration has been served better than if I had not performed this service, both for my storage customers and my firm with the limited amount of wheat that we have handled.

Mr. BALLARD—Louisville has no public storage at all, and very limited private storage. If merchandising alone is to make an elevator profitable and if merchandising is indulged in at all

elevators, how is the producer or the private individual who may have wheat that he wants treated to get it treated? Will he not be at the mercy of the merchandisers, and that really is a right good term to apply to elevator men who do that sort of thing. How is a private individual who has wheat that needs treatment to prevent it going wrong if he must have his wheat handled in that way. Will he not be at the mercy of the merchandiser and compelled to sell it to the merchandiser?

Mr. PIERCE—In Chicago we have too much competition to admit of any such situation as that suggested by Mr. Ballard. There we will do any kind of work in any elevator that can be done in any private elevator if we can get anything approximating what it costs.

Mr. BALLARD—I do not understand that is what is meant?

Mr. PIERCE—You asked how we could get it done. If there are not too many producers I will guarantee to do it at a reasonable charge.

Mr. SMITH—I will do the same thing.

Mr. BALLARD—Pardon me. I did not intend to start a private discussion. I did not understand, as to Question b, should elevators operate solely as public facilities and not do any merchandising—I did not understand the answer to that question to indicate that the operators of elevators who were merchandising at those elevators attempted or pretended or would do service for outsiders. I did not so understand it. I beg your pardon.

The CHAIRMAN—It is quite true that at Minneapolis and almost any place you can buy elevator service.

Mr. PIERCE—Yes.

The CHAIRMAN—Can you buy it to the extent of mixing and treating the grain?

Mr. PIERCE—Yes.

Mr. HALL—The elevators in Kansas City handle, mix and clean grain for customers and at a very moderate charge.

The CHAIRMAN—Then the answer to Clause C is that it is open to all?

Mr. HALL—Yes.

Mr. SMITH—It is positively that way at Ft. Worth, Texas.

The CHAIRMAN—Is it open at St. Louis?

Mr. HALL—At St. Louis it is open. Any service there can be obtained by anybody.

Mr. WAYNE—I had a little trouble with my corn. I had tried to get it handled in an elevator in Peoria and also in an elevator at Chicago. They told me they were so filled up with hot corn they could not handle any more. I do not know whether they were private or public elevators. I do know, however, that I could not get my corn handled there.

The CHAIRMAN—In that case it was because their facilities were fully used?

Mr. WAYNE—That is what they said. I don't know anything about it.

Mr. SMITH—That situation is the same at Ft. Worth. We stayed up at night to take care of the corn situation there and we ran our corn all night and we could not run it fast enough to cool it and we don't want to take any more until we get this cooled off.

The CHAIRMAN—Is there any other viewpoint on these three clauses of Question 1 under Terminal Problems? If not, we will proceed to Section 2.

2. *Fire Insurance Limitation. (Terminal Problems.)*

What about the fire insurance limitation as applied to the elevator problem? Are you going to need any help in handling that?

Mr. VAN DUSEN—If I understand that question correctly I think I can say that at the present time, generally speaking, there is no further insurance required than what it is possible to get. In case of a large crop and if many of the elevators are filled up it may possibly be a troublesome question, but I understand the insurance companies at the present time are making efforts to take care of it and I have every reason to think it will be taken care of.

Mr. MARCY—In regard to insurance I think the grain elevator people through the country will need some help from the Government in that line. As it stands to-day it is almost impossible to obtain more than about 30 or 40 per cent. of the amount of insurance required in the wooden houses. While the insurance companies have talked about helping out and tried to forestall the Government getting in and possibly providing this insurance, as a matter of fact they have done practically nothing. They have taken care of about an extra 10 per cent. and that is

all. Unless some steps are taken fully 50 per cent. of the wooden elevators throughout the country will not be able to be used, which will cause a great loss and one of the causes why an extra effort should be made to provide this insurance. I think the matter should be considered very seriously by the Food Administration to see if it cannot in some way help out in obtaining this insurance.

Mr. WELLS—Does this refer to terminal elevators only?

The CHAIRMAN—Yes. I do not understand, Mr. Wells, there is any problem so far as country elevators are concerned in getting sufficient insurance.

Mr. WELLS—In our State we are able to get all the insurance we need.

The CHAIRMAN—Mr. Van Dusen, are you satisfied that the insurance people are going forward to solve this?

Mr. VAN DUSEN—That is my understanding. It is quite true, as Mr. Marcy states, that there has been trouble and possibly if the elevators want insurance up to full capacity of their elevators to-day they could not get it because it takes a little time for insurance companies to get action on these matters and it is a large problem, but I believe it will be worked out.

Mr. McMILLAN—I think if the Grain Corporation will carry its own insurance on wheat this year the chances are fairly good that the other requirements may be met, but if it should happen that the grain trade are to again take charge of the wheat in the terminal elevators so they will have to assume that risk of ownership I think there is absolute surety there will be nothing like enough fire insurance available.

The CHAIRMAN—You have no hope of any commercial agencies offering sufficient?

Mr. McMILLAN—Not if we have to carry insurance on the wheat.

Mr. VAN DUSEN—We have received word at the central office that the Terminal Elevator Association had made arrangements with the insurance companies whereby their wants would be filled.

Mr. MACMILLAN—That is possible under the present situation so far as coarse grains are concerned and where the Grain Corporation is carrying its own wheat, but if the Grain Corporation

should retire from buying wheat at terminal points I think we may be absolutely certain there will not be insurance facilities sufficient to take care of the situation.

Mr. MARCY—In regard to insurance, you can today obtain only about \$600,000 on any one wooden elevator unless it is a sprinklered risk. If it is a sprinklered risk it may be raised up to \$900,000 or \$1,000,000 but, as a matter of fact, you cannot put in a sprinkler system at the present time and cannot get it in for a year. I doubt very much if you can put it in to-day at all because of the great cost and you can only obtain today about \$600,000 or \$700,000 on each million dollars and that is not enough even if you have an elevator filled full of oats; it is not half enough if wheat, rye or barley. That is the situation all over the district, excepting where the personal risks are involved.

Mr. PERRINE—In regard to the action that is being taken now by the insurance companies to supply additional insurance to enable the elevators at Chicago and, I think, at the other terminals to protect themselves, there is a doubt in my mind—I happen to be Chairman of the Warehouse Committee in Chicago—as to whether they will be successful or not. I have been working on it for some two or three weeks and the day before leaving Chicago the Chairman of the Insurance Committee told me that he had doubt in his mind as to whether they would be able to increase the insurance to a point that would enable us to fill our elevators. As Mr. Marcy said, so far they have only obtained about ten per cent. increase.

Mr. SEARLE—Our Committee had one meeting about four weeks ago. I will say that a statement of capacity of all terminal elevators was to be furnished, and with their requirements. We had a conference with the insurance representatives and they indicated at that time that they were willing to take care of all the buildings, but Mr. Marcy says that has not been carried out. They said they thought they could cover the buildings entirely. I know we have been running short on some of our properties but we succeeded at that time to get enough to cover wooden buildings. Upon food corn they indicated they could cover approximately the capacity of the buildings but they wanted time to work on it. It seems to me before any action is taken it would be well to get definite word from the insurance companies whether they are going to be able to cover this corn. Unless we can get some definite assurance like

that to the effect that they will cover it then some help will be required.

The CHAIRMAN—I gather that the situation of the warehouses is that if the Grain Corporation should depart from its policy of carrying its own risks and does not carry part of its stock in these wooden houses this fall on the crop movement in quantities sufficient to fill them, that their facilities will be automatically crippled by lack of insurance? Is that right?

Mr. SEARLE—It looks that way.

Mr. HALL—I would like to ask the Galveston representative what the condition is in that port. Prior to the war it was impossible to get insurance to the full capacity of the elevators and there were always a large number of cars constantly kept on the tracks. I do not think we should overlook the ports any more than the interior.

The CHAIRMAN—Mr. Fox (referring to Mr. C. B. Fox) what is the situation in New Orleans? What are the conditions in fire insurance in elevators in New Orleans?

Mr. FOX—One elevator owned by the Missouri Pacific was only about two-thirds full owing to inability in securing insurance, several hundred cars being on the track. That was during the last two months.

The CHAIRMAN—Did the lack of insurance prevent the use of full elevator capacity?

Mr. FOX—Yes. None of the wooden elevators could be filled to capacity owing to inability to obtain sufficient insurance. The concrete elevator was the only one that could be filled, as insurance was obtainable. The interior shippers have to provide for their own insurance in selling f. o. b.

The CHAIRMAN—What have you to report, Mr. Newing (referring to E. F. Newing of Galveston).

Mr. NEWING—The condition at Galveston is the same as New Orleans. You can only get about 60 per cent. of insurance on wooden elevators.

Mr. HALL—One of our Committees is looking into this insurance question on terminals and I was advised that the delay was due to the fact that some terminal elevators would not give the Committee some necessary information. St. Louis was still eight terminals short at the last request.

The CHAIRMAN—Then you expect to follow this question through to a decision?

Mr. HALL—Yes.

The CHAIRMAN—I think we have developed this situation, unless there is some other angle.

Now let us take up safety requirements. What have you to say as to that, Mr. Pierce?

Mr. PIERCE—We have been told at Chicago by the Committee of the Underwriters that a Committee on Insurance of the Underwriters, together with certain Government officials, and I am not sure but with certain officials of the Food Administration were working together to compile a list of regulations regarding protection that the operators of elevators must give to the property, and we are expecting any day to receive the final decision in the way of recommendations or regulations which we will have to follow if we secure insurance as we would like to. It has not yet been received. There is some difficulty to overcome. There seems to be a difference of opinion among them as to the possibility of segregating the elevators—not segregating them but surrounding them by the use of a wire enclosure. That is practicable for some houses but utterly impracticable for others. It is such difficulties they are trying to reconcile, as I understand it, and that is delaying the presentation of these regulations.

The CHAIRMAN—There were some regulations put out concerning the approaches to the terminal elevators. Were those regulations complied with?

Mr. PIERCE—I think those were all complied with some months ago.

The CHAIRMAN—Did they add a considerable burden of expense?

Mr. PIERCE—They did, but principally in the way of additional watchmen.

The CHAIRMAN—Then they are a continuing expense in the way of watchmen.

Mr. PIERCE—Yes, they are. Most of us really had, in our own interest, increased the watchmen in some cases to more than the requirements before the order came.

Mr. WELLS—Does that reduce your insurance?

Mr. PIERCE—Nothing ever reduces the insurance. We have had considerable expenditures in the way of sprinklers, also.

Mr. WELLS—It did in our case.

Mr. PIERCE—It did not in our case.

Mr. SEARLE—The requirements as to the watchman service has been quite a burden. This year we have operated at a loss and in addition thereto in nine months the increased watchman expense has amounted to about \$10,000. That would be at the rate of about \$15,000 a year. It has not seemed necessary to me because we have not handled one bushel of grain on this crop in one plant, and the other plant is fireproof. It seems needless but we have not been able to get rid of it.

The CHAIRMAN—Then it is quite true that in complying with the requirements formulated by the National Board of Fire Underwriters last fall they have put on you an expense which you are continuing to bear? Is that a correct statement?

Mr. SEARLE—I don't know whose requirements they are but I took it up with our manager and he says they are necessary and we can't get rid of it and that he has been endeavoring to all the time but he is not able to.

Mr. PIERCE—That is true as far as Chicago is concerned and we are told we must expect that there are more coming.

The CHAIRMAN—Clause b, present reports required, should not be under this sub-head. It should stand on its own basis. I would like, however, to hear whether the report required by the Grain Corporation from the Grain elevators is in any sense burdensome? We have a need for them, I would like to say, but I would also like to know whether you consider them in any manner a burden.

Mr. PIERCE—I would like to ask if that includes the OO reports?

The CHAIRMAN—No, we are going to give a special chapter to them.

Mr. CLARK—I do not believe there is any trouble with those reports.

The CHAIRMAN—I will assume that is the feeling of you all and we will take up section 3.

3. *Has terminal elevator business been profitable?*

Do not all speak at once. Gentlemen, we want to get the exact facts about terminal elevator operation. We do not want you to represent yourselves as unduly suffering or as unduly poor; we want to know whether you have failed to make a proper return and whether that may be fairly laid to a poor crop, and whether that is possibly due to the hazard of your occupation or whether part or all of it is due to our policy and our regulations. Just please express frankly to us how you feel.

Mr. SEARLE—I mentioned that when I was on my feet before. Therefore I may break the ice on the subject. I think I may speak for ourselves and I think that will cover the other terminal elevators and may say that business has been unprofitable this year. I know we lost a considerable amount of money and I am of opinion that it will apply to all other plants in Duluth.

In answering the other sub-division of that question, I think it is due to both. I don't know just how to divide that. I think I would be justified in saying that I don't think we would have had a profitable business under any conditions this year, but I do think we might have saved ourselves a loss if permitted to function as we have heretofore in the way of mixing grain and acting as grain merchants.

The CHAIRMAN—You speak now particularly as to Duluth and Minneapolis?

Mr. SEARLE—As to Duluth, although what I have said will practically cover Minneapolis. I know we have had a loss there and I think most of the others over there have had a loss. Some of them may have had sufficient coarse grain to have made a profit possibly. I don't know as to that.

As to Clause c, will the ensuing next few months overcome any deficit, speaking both for Duluth and Minneapolis, there is no possibility of any further business on the crop year, so it can only be a continuing loss the balance of the crop season.

The CHAIRMAN—What about Kansas City? What do you say, Mr. Hall, about Kansas City?

Mr. HALL—I have not had an opportunity to discuss with the other elevator operators what the result of their year's business has been and whether profitable or not, nor can I give you an accurate statement regarding our own elevators, for the reason that from a merchandise standpoint and from efforts we

have made to keep the elevator running we have given the elevator more than its share of the profit by setting aside the profit practically on our own business in order to pay expenses on the elevator. But our year does not end until the 1st of July. I am, however, under the impression that if we have a fair movement of grain from now on and are able to handle coarse grain in the fall we will at least break even and possibly have a little to the good. But in making that statement I want you to take into consideration that it is not run purely as an elevator proposition—it is run more as a grain proposition and as a part of the whole business. I cannot answer for the other gentlemen. Some of them are here and will probably be able to answer.

The CHAIRMAN—Mr. Shields, what do you say the prospects are at Kansas City?

Mr. Shields—For coming business?

The CHAIRMAN—No, for your net crop year's return?

Mr. SHIELDS—For the business for the year ending July 1st?

The CHAIRMAN—Yes.

Mr. SHIELDS—I will say, so far as our elevator is concerned for our wheat business, we probably have run considerably behind; but from the corn we have been handling recently, that has been a lifesaver and we will probably make up our losses and share some profit. We assume that, but we do not know from figures yet. I think, perhaps, we will make a fair profit on the year.

The CHAIRMAN—That is, it promises better than it did at one time?

Mr. SHIELD—Yes. The 1st of December we could see nothing but a probable loss of \$50,000 without undue risks, but I think we will make that up through the handling of coarse grains.

The CHAIRMAN—What about Omaha, Mr. Mason?

Mr. LINDERHOLM (answering for Mr. Mason, evidently)—Due to the condition of the grain raised tributary to Omaha where we had an immense crop—our elevators will be in fairly good condition by the end of the year. The elevators I am operating have handled very little wheat. We had a big crop of oats and corn and fortunately it happened to be of a

little better average of quality than the rest of the country has had. In that way Omaha has been favored.

The CHAIRMAN—How about St. Joseph, Mr. Clark?

Mr. CLARK—We have not handled any wheat since the Grain Corporation took charge. They had an arrangement there with the Grain Corporation that an elevator that handled any of their wheat could not store any wheat for anybody else. As it happened so far as the elevator I am interested in is concerned we needed some of that storage for the mill, but we did not have enough storage of our own at the mill and consequently the only earnings that went to the elevator was for the very small amount of wheat that we handled.

Our transfer business has done fairly well because it is a separate corporation that the mill owns stock in and they force their business through that house and that has done a big transfer business. Most of our earnings have been on transfer. The other elevator man is not here tonight but I do not think they have made any particular money in handling that elevator. They handled the wheat for the Grain Corporation. I think they made some money, perhaps, merchandising. There was some question about it a few months ago, about renewal of the lease, and they were fairly backward about attempting to handle it, as I remember.

The CHAIRMAN—What about St. Louis, Mr. Hall? What is the general condition at St. Louis?

Mr. HALL—As a general proposition, the larger elevators, I think, did not get along very well. The smaller elevators were kept quite busy with oats, and the other elevators that had dryers, and they possibly quit about even because of that. The wheat business is, of course, almost negligible as a source of revenue.

The CHAIRMAN—Now Chicago, Mr. Marcy. What is the general situation in Chicago?

Mr. MARCY—I cannot speak for the other concerns outside of the Armours, but our case has been quite disastrous for a number of reasons. In the first place we did not have the crop. In the next place, taking away the cleaning and mixing on which Chicago relies a great deal. Then the volume of wheat we handled was very small and amounted to practically nothing. And then on top of that we had no carrying charges. So

together with our terrible expenses—and of course in our case where our capacity is so big and our expenses are so big an ordinary amount going through the dryers and a small storage does not come anywhere near taking care of the situation. Therefore we were bound to run into a loss and it could not be helped.

I would like also to mention Kansas City. We have 6,000,000 capacity in Kansas City. On account of that big capacity and the big amount of rent and the large amount of expenses in maintaining it we have run into a loss there. It had been impossible to get enough stuff and there are no carrying charges and there is very little stored by the public. The result is we have had a loss on account of our expenses being beyond what business we could get. We are in a different position from other people on account of our big capacity and big expenses.

In Chicago we had a terrible time there. They run us up on our losses on account of extra watching service and our labor conditions have been very bad and our transportation was bad. After we got the stuff in there and had it sold and ready to go out it was impossible to move it and we lost interest and insurance and practically carried it without storage.

The CHAIRMAN—You do not see any prospect of profit for your Chicago elevator business in the next two months' operation and evening up?

Mr. MARCY—No, that is impossible. Practically none of the business in Chicago is done for Chicago proper. There is no stuff on storage and it is just a matter of transferring some stuff that goes through that will not pay expenses. It will not be possible to do anything before the new crop.

The CHAIRMAN—Mr. Pierce, what is your impression?

Mr. PIERCE—Chicago has been peculiarly unfortunate this year. The crop yield was particularly small in that contributory territory. The differential established for Chicago did not operate very successfully to make millionaires and the result was, as far as our terminal elevator business was concerned, we are dividing our general expenses as between that branch of our business and the other branches of our business with the utmost fairness, in fact I think we are bracing on the branches a little more than their share of our general expenses. Our loss in operating our terminals is very heavy. If anybody will guarantee a return within six months of what we lost the first six months we will be very glad to arrange for a very considerable premium for that insurance.

The CHAIRMAN—You do not expect to come out even?

Mr. PIERCE—No, because Chicago is particularly unfortunate. It is only fair to state that perhaps more than anything else, in fact 95 per cent. of our troubles we have had this year have been traced either directly or indirectly to the lack of adequate transportation. We have kicked about the other five per cent. but I think the lack of adequate transportation has been more than anything else the trouble in Chicago.

The CHAIRMAN—What have you to say about conditions in Minneapolis, Mr. Van Dusen?

Mr. VAN DUSEN—We operate three terminal elevators in Minneapolis. Each one was operated at a loss, in fact we would have to go back a good many years to show that we operated at a loss when crops have been just as short in our section of the country as this year.

The CHAIRMAN—Where the yield was 178,000,000 less, although the coarse grain receipts were 30,000,000 or 40,000,000 bushels more unless you were extremely shrewd business men you were bound to feel it. Part of that I want you to admit is due to a poor crop. I want you to understand that for the policy of the Food Administration we have a real reason, a real urgency that requires it.

Let us take up the next clause under Section 4.

4. *Commission men. (Terminal Problems.)*

Let us discuss Clause a, Has the commission basis of one per cent. fixed by the Grain Corporation been the cause of diverting any business from the established commission houses? Has any commission man got a grievance against the Corporation for its one per cent. rule ?

Mr. CARKENER of Kansas City.

Mr. CARKENER—I do not think that the commission basis of one per cent. has diverted any business from the regular market. That has been our commission rate. Business has been very light, due to the short crop primarily, but I think the fact that the Grain Corporation maintained that commission, which is the maximum commission in that market, is a very good thing for the commission men.

The CHAIRMAN—Then it very evidently resulted favorably for the established commission men?

Mr. CARKENER—I did.

The CHAIRMAN—Does anybody differ from that view?

Mr. SMITH—Mr. Chairman, the Grain Corporation has not been charging one per cent. in Texas. A farmer or a country elevator man or a scoop shoveler or anybody else could have a car of wheat on the track and the zone agent has on application from the owner of that car of wheat directed it to be shipped to a certain mill and there has been no charge assessed against that car of wheat by the Grain Corporation. I was rather peculiarly situated. Mr. Kelso, who is associated with my business, had the direction of Texas wheat under his supervision for a while, and I asked him after a few days out there that he charge one per cent. for directing this wheat but he said he had no such instructions and all the wheat in Texas was directed to the mills and nobody paid anything for the direction. I think that was the basis for my friend Clemons' contention that that practice should be continued as regards the country elevators.

The CHAIRMAN—I think you are talking on a subject a little bit in advance of its place in our programme.

Mr. SMITH—I do not want to do that, but this has affected my business very materially and I want to interpose a protest.

The CHAIRMAN—I should say that you are talking about the basis of directed wheat, discussed under the country dealer problems.

Mr. SMITH—It says here, loss of income on directed wheat. That is the very next line.

The CHAIRMAN—For commission men.

Mr. SMITH—I am in the storage business and I am in the grain business and the commission business and I am in the milk business. In fact, it takes a half dozen functions in my business to make a living right now. I am not starving to death, by any manner of means, but there has been no one per cent. charged up by the Grain Corporation in Texas on directed wheat.

The CHAIRMAN—On directed wheat?

Mr. SMITH—Yes, on directed wheat.

The CHAIRMAN—Nor anywhere else. I mean has the commission received on consignments in the terminal markets diverted any business from established commission houses?

Mr. SMITH—I know the Grain Corporation prevented any consignments to Ft. Worth. We would have been glad to have done that business and had plenty of shippers glad to ship to us, but they were advised they could not send it to Ft. Worth, but had to send it to Galveston or Kansas City or some other market.

The CHAIRMAN—That is exactly the fact, they could consign it anywhere they wanted to.

Mr. SMITH—I have letters from the Grain Corporation to individuals saying they had no right to direct to Ft. Worth.

The CHAIRMAN—That is under the urgency of milling need, but he could also consign it to Ft. Worth if he had the right to consign it to Kansas City or elsewhere.

Mr. SMITH—Your letter said they could not do that.

The CHAIRMAN—No, I think you misapprehend the situation.

Mr. CLEMONS—I arise to state, after listening to the discussion between you and Mr. Smith, that I have asked the zone agent at Kansas City to give me instructions to ship wheat to the terminal elevators at Ft. Worth and I have not gotten that.

The CHAIRMAN—No, I think you misapprehend the situation.

Mr. CLEMONS—I asked for information, my request being brought out by the discussion between you and Mr. Smith. I asked the zone agent at Kansas City to give me instructions to ship wheat to the terminal elevators at Ft. Worth, but did not get them.

The CHAIRMAN—No, we had no object in putting wheat into terminal elevators at Ft. Worth; we had an object in putting wheat into the mills.

Mr. CLEMONS—Our idea in sending it to Ft. Worth was that there would have been a commission for us. I would have sent it there for Mr. Smith to handle for me on a commission, but, of course, we had to sell that wheat to a mill.

Mr. SMITH—Under the direction of the Grain Corporation.

The CHAIRMAN—And that mill would have brought it on the basis of the Kansas City or Galveston price less freight to the point at which it bought it, and that left no field for him

to swing wheat to Ft. Worth. The wheat would have netted more if shipped direct to Galveston or Kansas City. Is not that the situation?

Mr. SMITH—No, sir.

The CHAIRMAN—All right, enlighten me.

Mr. SMITH—My complaint is that from the stations in Texas to Ft. Worth in Texas wheat can be shipped to Ft. Worth and then deadheaded to Galveston and the cost will not be any greater than if it were shipped directly to Galveston. Mr. Clemons could have shipped his wheat to me as he has shipped it in the past to Kansas City and I would have looked after it and looked after the grading for a commission of one per cent. or possibly less, but Mr. Clemons has been denied that privilege the entire season and I have been denied the possible profit in handling of his wheat by the Grain Corporation. I don't come up here to fuss about it; I came up in the hope that that barrier can be removed for the coming season. He could get the Galveston price whenever the wheat comes from any common point of the territory in Texas. I completed last July a 750,000 bushel elevator addition to my plant on which I have a 12½ cent insurance rate, without the sprinkler system, and there is talcum powder still on the belts of that elevator. They have never been turned simply because Ft. Worth has been denied the privilege of concentrating or handling wheat except on direct shipments from the producer or the country merchant or the scoop shoveler or anybody who happens to have a car of wheat, which direction was made by the corporation without any charge whatever to the owner of the wheat.

The CHAIRMAN—I think that is hardly a fair statement or the right way to put it.

Mr. SMITH—I want to be fair because I am up here at the mercy of the Court trying to get the wheels to turn in that new addition to my elevator. Rather than throw any stumbling blocks in the way of the Grain Corporation I would be perfectly willing to eliminate myself as a factor in every way, but when I see other markets afforded an opportunity to do business and continue doing business and my market is absolutely prohibited to me I just plead the privilege of interposing my protest against that. There is no more field for shipping wheat to Ft. Worth than to Kansas City but there is equally as great a reason for shipping to Fort Worth as there is to Kansas City. The same

rates for through routing apply via and through Fort Worth from Nebraska, Missouri, Kansas, Oklahoma, New Mexico, Illinois, Indiana, Arkansas, Tennessee, Kentucky, North and South Dakota and Minnesota for export and to Old Mexico for export and for domestic use throughout the State of Texas, which is as large as any other four States in the Union and comprises more than one-eleventh of the area of the United States, and if I may be permitted to say so Fort Worth's situation as a concentrating and distributing center has been sadly overlooked.

I do not come here, Mr. Barnes, in an antagonistic spirit at all. The Lord knows I don't feel that way. I am willing to eliminate myself entirely. Unfortunately I am a member of a corporation that has a very large investment at Fort Worth and we have facilities that your Administration needs and I just want recognition granted them.

The CHAIRMAN—Your field, as outlined, is certainly quite promising.

Mr. SMITH—I think that if Mr. Hall can receive consignments from Kansas City and charge one per cent. for handling them that Fort Worth should be entitled to receive consignments from Texas and at least Southern Oklahoma. Those privileges have been denied us and in that way our income has been restricted by directed wheat, has been restricted by the Corporation's failure to charge one per cent. in that territory.

The CHAIRMAN—The volume of wheat last year after July and August was so nearly equal, that is the supply and demand were so nearly equal, that it was necessary to direct shipments directly to the mills and cut out such interior points as Fort Worth. You say Fort Worth should be allowed to receive consignments and collect a one per cent. brokerage, but before we reached the point at which we were obliged to direct or assume direction of all country wheat there was a time when wheat was open to every country dealer to consign his wheat where he pleased. There was no object in shipping it to Fort Worth. There was no object in shipping wheat to Fort Worth unless there was established there a buying basis by the Grain Corporation. Is not that the point?

Mr. SMITH—No, because we have our transfer privilege. The Galveston basis prevails at Fort Worth. The mills of Texas,

left to their natural inclination, would concentrate their wheat at Fort Worth for future grinding, because their rates apply or, rather, through rates apply from all the territory west of a line running north and south from Chicago to New Orleans via Fort Worth to their mills with no penalty for stopping at Fort Worth for storage or handling.

Fort Worth should be permitted to handle the wheat that in the very natural movement has to pass through Fort Worth. We should be permitted to handle it at Fort Worth on the same basis that the merchant at Kansas City or St. Louis handles wheat that naturally flows towards those markets. We have at Fort Worth capacity for 4,400,000 bushels storage but we have not as low a freight rate as is accorded the Indiana market. Our insurance rate is low. We have no trouble in getting insurance to our capacity at Fort Worth. Any one of two or three insurance companies will take any policy risk that my houses would require if filled with wheat at any time. The L. L. & G. would take a couple of million. The Royal would take a couple of million. They advised me to that effect repeatedly. They would take it at a rate of 12½ cents in my concrete storage house and at 13½ cents in my steel and concrete storage house and I just want Fort Worth put on the map so we can concentrate wheat there and then move it to the mills or for export under your direction. I have never attempted to ship a bushel of wheat to any one where I did not first ask permission to ship it and I have asked permission to have wheat consigned to me and let me mix it or charge one per cent. for looking after the shipper's interest and I have been refused.

The CHAIRMAN—You are in the same predicament as others with a wider territory.

Mr. SMITH—We have a wide territory. You can travel two days and nights on the fastest train and not get across the State of Texas.

Mr. ECKHARDT—Speaking to the line designated as a, has the commission basis of one per cent. diverted business from our commission houses. It is very difficult to say whether that has added or taken away any business from the commission houses. Surely the fact that the Grain Corporation established a one per cent. commission on wheat that we handle give quite a leverage to the commission houses. That cannot be denied. There was quite a volume of wheat that came from Illinois to Chicago and it was handled and reflected great satisfaction to the country trade.

After December 31 or before that there was a gradual loss of business because the stock was small, but beginning with December 1st, under the regulation of the Food Corporation that fixed the rule that wheat must be handled on the local rate plus the shipping charges I will say no business came from the Chicago station because Chicago is ruled entirely by shipments via our territory. We were handicapped to the extent that the local rate was higher than the proportion of the through rate via Chicago. It seems to us that is hardly fair and we do not believe that basis should continue. I do not know that I am talking directly to this point.

The CHAIRMAN—We will give you a chance a little later as to that.

Mr. ECKHARDT—As I said before, talking directly to this question, whether we have lost business on account of that rate, I would say there was some business came to the commission houses because that rate was established by the Corporation, and that is very simple because I think the man in the country was in the habit and accustomed to using certain commission houses and continued to do business through the ordinary channel and because he was satisfied from previous knowledge that his business would be taken care of.

The CHAIRMAN—I think on Clause a we can shorten that. We have not handled more than 12 or 15 cars in all our zone offices, so there is no question about that.

As to Sub-division 1, loss of income on directed wheat, I suppose there is no question but that in some sections the commission man has suffered on wheat that would otherwise have moved to him when he directed it. As to directed shipments, I would like to develop the fact that in some sections of the country even that direction has not taken from the commission man his expected income.

Mr. BALLARD—I think that the subject of loss of income on directed wheat is so closely connected with the fifth question on relative market basis that you can consider neither one first but should consider them together.

The CHAIRMAN—Develop your point.

Mr. BALLARD—Last year an arbitrary price was fixed at St. Louis. In normal conditions a very large territory depends on St. Louis for its wheat supply. The capacity of the territory near St. Louis is very large. I may say that the loss of income

on directed wheat from points very close to St. Louis and points which were formerly St. Louis territory has been considerable. The terminal dealer has not got any revenue out of it and the St. Louis commission man and elevator man has suffered and as a result they have gotten only a small proportion of the volume of business they ordinarily handled and have done a small business. We feel that if the crop of the coming year should be a large one in the West, or an abnormal crop, it would be an unjust situation. There is a feeling amongst our people that that is an unjust situation and they are chafing under it and this is largely due to the fact of the arbitrary price fixed at St. Louis.

The CHAIRMAN—That is, you feel that with the rate 5.4 cents between Kansas City and St. Louis that a 3 cent basis over Kansas City has unfairly curtailed your natural territory? That is your principal objection to Kansas City?

Mr. BALLARD—Yes, we are losing business at nearby points that in the past came to St. Louis that we controlled under this freight differential basis.

The CHAIRMAN—Let me ask for a direct answer to Clause a, Section 5 and that is if a stabilized price basis is necessary could all terminals agree on a relative basis between them?

Mr. BALLARD—I doubt it very much.

The CHAIRMAN—Your point is that the relative difference between markets will have to be decided by some one who weighs this argument pro and con and arrives at a conclusion?

Mr. BALLARD—I think so.

The CHAIRMAN—But you want to urge that the present basis is a curtailment of your natural territory?

Mr. BALLARD—Yes.

Mr. SAGER—Can we now discuss Clause 5?

The CHAIRMAN—Unless some one else wants to couple, as Mr. Ballard thought he should, Clause 4 and Clause 5, you will confine yourself to Clause 4.

Mr. GORDON—With reference to this one per cent., I do not think that has diverted any business from the commission merchant, but I do think that the wheat being diverted from our market has hurt our market more than anything else. For in-

stance, when we first went under the Food Administration we got a good consignment of wheat from Northwestern Missouri, wheat that naturally belongs to St. Joseph and always was shipped there because the rates were lower. That is the principal reason. But after the wheat began to move pretty freely the people up in that country got an order from St. Louis that they belonged in the St. Louis zone and therefore they must ship to St. Louis. We are right on the Missouri River and our principal territory is in that corner, consequently we lost all that business. They were compelled to ship to St. Louis. Unless the farmer ships his own wheat occasionally, we would naturally get his car of wheat because he would ship that to St. Joseph for less money.

Later on you diverted the wheat west of the river to the mills, consequently we have had no wheat this last season since they began to give orders to have the wheat shipped directly to the mill from the originating points.

The CHAIRMAN—You felt that loss at once?

Mr. GORDON—At once, yes. Of course, if it goes on that way with the new crop we won't have any business.

But I do find, by discussing it with shippers, that they are satisfied to pay one per cent. commission. They are satisfied perfectly with that and they prefer to ship their wheat to terminal markets rather than to ship it to the mills direct and pay the one per cent. if permitted to do so.

The CHAIRMAN—I will be very glad if conditions develop so they can again do so, but I do want to hear that in the Northwest because of financial conditions that even the exercise of the right of direction did not cause them their loss of commission, am I right in that?

Mr. NEWELL—We lost out on account of our way of doing business in the past. The fellows have been so suspicious of each other that if anybody we were financing wanted to ship to a mill up there without a commission they would ship.

The CHAIRMAN—You think you got your commissions on most of them, any way?

Mr. NEWELL—On what?

The CHAIRMAN—On most of that directed wheat?

Mr. NEWELL—No, we never did.

The CHAIRMAN—Never in the past?

Mr. NEWELL—Once in awhile we have a customer conscientious enough to send us a commission on account of our financing him, but that is very seldom.

Mr. MOORE (Kansas City)—Are you discussing Section 2 of Clause 4 on Terminal Buying?

The CHAIRMAN—Not yet. We are on Section 1 of Clause 4, which relates to loss of income on directed wheat. I had quite a different impression about the Northwest.

Mr. BENSON—I think you are partially correct. Where we have agreements with the shippers to finance them and they agree to give us a certain percentage of the business we permit them to ship out to mills and we usually get our commission even though the shipment be diverted to some interior mill or any other mill. So we get a portion of it, anyway, and we have found the very finest co-operation on the part of your zone manager, Mr. Carey, and we are well satisfied. We did lose a lot of business before this was put in effect. The local mills got in operation and we did not see any of it. But, taken as a whole, we are pretty well satisfied.

The CHAIRMAN—I suppose that conditions in other sections are so different from the Northwest that you have a hold on shipments that you cannot finance. That does not seem to be the practice elsewhere so it is hardly a fair comparison. Is not that right? (No response.) Shall we move to Clause 2 of Section 4?

Mr. MOORE (Kansas City)—There were a certain class of firms in Kansas City who lost a great deal of their market by the fact that they have been deprived of their commissions on mill buying. We would like very much—I am speaking for a number of firms in Kansas City who have been doing this buying, to have the privilege restored and to be permitted to charge a reasonable commission for this service. In that way we would get the mill trade and it would not go into a terminal stock but to a direct transfer. The people whom I represent get some income from this, not so large a percentage as the others. Our income during the crop year ending last July from this source was about 20 per cent. of our gross income.

The CHAIRMAN—Your view is that the mills have not been willing to pay any terminal commission for assistance in forwarding the grain out of these terminals to them?

Mr. MOORE (Kansas City)—They have in some cases but the way it has been handled during the past year they have not gained anything by it.

The CHAIRMAN—Are conditions in any other market different from that?

Mr. ECKHARDT—This class of buying on mill orders is represented pretty freely also in the Chicago market; in fact, it constituted part of the competitive buying in all seasons of the year. I think I may fairly say that practically 75 per cent. of that class of buying has been eliminated from the market lately, excepting by those who have a certain amount of the milling trade and who have been able through some of these orders to make requisitions on the Food Corporation. But it is an incidental business with them. People who have made a specialty of it are practically out of business.

The CHAIRMAN—Has there been a field developed anywhere that the mills to whom shipments were ordered would pay a commission for assistance in the forwarding? Has any market been developed?

Mr. HAYWARD—I think it might be well to take this into consideration. I do not think during the past year that the miller has had any serious objection to paying the commission.

The CHAIRMAN—Well, the practical working out seems to me that it has developed no field of income for the commission man, or a very small one.

Mr. HAYWARD—Yes. As I understand conditions, if the commission merchant for instance in Baltimore, originates wheat in the country and is directed to forward that to a particular mill he is entitled to a commission of one cent per bushel. Is that correct? If he does not originate it he has nothing to do with the commission. So it seems that to some extent they are protected. If they originate it then they ought to have the commission. But I want to reiterate, so far as my knowledge goes, there has been no disposition at all not to pay the commission on the part of the mills. I do not think any miller has objected to paying the commission.

The CHAIRMAN—Possibly it is only right to explain that there has hardly been a fair basis for that class of business because there has been no accumulation in primary markets from which to order to the mill.

Mr. MOORE (Kansas City)—One point I would like to speak of in the Kansas City market. Take from after the crop started to move and the receipts are liberal, if this privilege of buying wheat were allowed to the mills through commission men it would relieve the Grain Corporation of its ordinary competition in handling this wheat and would relieve it of the labor of running it through its books and receiving and paying for it at the mill. It was thought that perhaps in this manner a portion of the Administration feature would be waived or eliminated in view of the fact that the wheat was not handled by the Grain Corporation; in other words, if we simplified the handling in the transaction and it would not cost any one any more money. Of course, that does not apply in the case of wheat that is stored. It would simply be a means of taking out the surplus at the terminal markets when conditions justified it.

Mr. STRATTON—In answer to that question as to the loss of income on terminal buying, I believe the mills have paid a commission in Milwaukee to shippers who have insisted in forwarding their wheat, but I do not think it has been at the rate of one per cent. but a lower rate. However, they have paid a certain commission.

The CHAIRMAN—Has that been generally done?

Mr. STRATTON—Not to any large extent because we do not handle a great deal of wheat in Milwaukee, but it has been done to some extent.

Mr. PERRINE—Under the rule of the Stock Board for buying and shipping wheat it means that the commission should be one per cent. per bushel. Under normal conditions quite a good business is done. Among a certain number of commission men they net pretty good results but at the present time we are practically barred from it. I think one agent said we could do it for half a cent a bushel but that being a violation of our own rules practically nothing has been done for some time and there are quite a number of mills East of Chicago and in Michigan, Indiana and Ohio who naturally do object when they have to ship wheat from Chicago through commission merchants. If we have a crop that we anticipate I think that business would amount to considerable if we are allowed to do it under our commission rate of one cent a bushel.

The CHAIRMAN—Is there any other angle to this clause 2 of Section 4?

Now as to Clause 3, Has the business generally earned a fair return? In other words, have the commission men generally made a fair return this year or have they suffered?

Mr. CLARK—I think the commission men in Kansas City will see daylight on the year's work. That does not come from the wheat business by any manner of means because we had a large crop of corn in our country. Corn particularly was a rather uncertain quantity because of its quality so the buying was reduced to a minimum, which is very unusual in handling corn. In other words, it was handled at a much larger expense than the movement heretofore. I think the losses on wheat there the latter part of last year have been made up by a good movement in corn and in commissions earned so far this year and we will get through with expenses paid and something to the good.

Mr. SAGER—I think, talking to the question as to the net return for the year to the commission men, we must not lose sight of the fact that our returns this year being based as they are on the percentage of the selling price have been very much larger than they would have been in years when normal prices for coarse grains prevailed. I think that is something we must not lose sight of in considering the net returns coming to the commission men. The high price prevailing for corn and the fact that it was of such a poor quality that it could not to a very considerable degree be sold for a rise and therefore it was necessarily consigned on the market had much to do with the profits made in that particular operation. The high price of corn and the high price prevailing for barley and oats have made the net result for the year to the commission men very satisfactory, their returns being based on a percentage of value much more satisfactory than we apprehended early in the season would be the case, because as Mr. Eckhardt started to elaborate and you said he should have an opportunity to present it later our wheat business has been almost entirely taken away from us in Chicago partly by reason of taking away of our proportional billing privileges and by reason of our unfortunate price adjustments. That makes Chicago no longer desirable as a market for wheat in that vicinity.

But on account of the good price for corn and barley and oats, on which our percentage is figured, I think the year has been moderately satisfactory to the commission men in Chicago.

Mr. ECKHARDT—Take the year 1917 and comparing it with the years 1915 and 1916 the net returns surely are quite satisfactory, so far as our business is concerned.

To give you a better illustration of what Mr. Sager stated in reference to earnings on a percentage basis rather than a rate per bushel, or three-quarters of a per cent. per bushel on the various kinds of grain, they say our business in 1917 in the number of carloads was just three cents of what it was the year before, and that year before, 1916, was what I call a very poor year. We barely scratched out even. Some satisfactory earnings in 1917 are wholly due to the fact that we were able to earn a satisfactory commission.

Mr. PRICE—Is that word “earned” just the right word? I speak from the farmers’ standpoint.

Mr. SAGER—I would suggest that our farmer friend engage in the commission business for a season. I am sure he would then say it was rightly used.

The CHAIRMAN—That question has been under dispute to my certain knowledge for 30 years. Are there any other points in which the commission men have a different story to tell?

Mr. NEWELL—We certainly have a different story to tell. We will come out away behind the lighthouse, unless we are fortunate enough to even up in Minneapolis where we handle a certain amount of coarse grain. As far as Duluth is concerned we are all in a hole.

Mr. SMITH—Mr. Barnes, the Fort Worth people have made some money this year. We have been able to exceed our quota on every Liberty Bond issue and we have been able to contribute to the Red Cross.

The CHAIRMAN—I think we have developed this commission subject enough to give us a general idea that there have been some losses on wheat but that the coarse grains have made that good.

I am going to suggest that as it is now half past ten that we start fresh in the morning on the next subject, which is No. 5

under Terminal Problems, and relates to the relative market basis. Or can we say 9:30 in the morning?

Mr. MULLEN—As a personal privilege I want to make a correction for the record. I simply desire to say I made the statement that we had not stored any wheat for ten years. I remember now that in two or three of our small elevators we did. I would like to make that correction.

The CHAIRMAN—Very well. That will appear in the record.
Adjourned until 9:30 A. M., May 1, 1918.

New York, May 1, 1918.
9:30 A. M.

CONFERENCE RESUMED.

The CHAIRMAN—Gentlemen, it is very evident that to finish this programme and have the discussion, it is absolutely necessary that all of you must make an effort to speak as promptly and directly and concisely to each point as possible. Let us save every moment in the discussion that we have that we can and still have a frank and full presentation of every side of the various subjects involved.

We left off last night having finished our discussion of Article 4, Commission men, under Section II, Terminal Problems.

5. *Relative Market Basis (Terminal Problems).*

I think it will at once occur to all that any discussion of the relative market basis will lead to no definite agreement between these markets. My suggestion is, if you are willing, and if not we would like to hear from you, to leave this question with our assurance that if the Food Corporation operates as a going commercial concern as it has this year that we will take up this relative market basis and try to reach a fair decision for all. But you must be satisfied with the knowledge that no settlement can be made which will exactly satisfy the claims of every market. We have got to be as fair as we can. Have you any comment on that?

Mr. SAGER—In passing upon the consideration of this very important and far reaching question we are temporarily delaying the presentation of what Chicago believes is the greatest

hardship that market has operated under during the past year in connection with the Government control of wheat movement and wheat prices, and while I defer to your judgment in postponing consideration of the matter I do wish to say that the Chicago market has felt that under the arrangement prevailing during the past year we have been very seriously and very adversely affected by what we consider an unfair and inequitable price differential arrangement. We recognize that the judgment of the Food Administration officials as applicable to the short crops prevailing last year and in furtherance of their desire to hold back so far as might be desirable and possible in the Western accumulating market the small supplies of wheat available from last year's short crop in order that it might be most advantageously distributed later probably justified, or at least explained, the attitude of the Administration in placing Chicago at such a disadvantageous arrangement of price as has prevailed during the last year and, as experience has demonstrated, has deprived that market of the handling of any material volume of wheat.

We most earnestly desire, when in your judgment the time is proper and right, to fully present to you our objections to the present differential as to trade with Minneapolis, Omaha and Kansas City markets.

A MEMBER—It is true that not all terminals are agreed on the relative basis between them. But before there was a price fixed at any point there was a conference between the terminals, Omaha, Kansas City, St. Louis, and after canvassing that whole situation West of the Mississippi River some three or four days we were agreed that nine cents a hundred was a proper basis to be observed, so far as the prevailing terminal freight rate adjustment was concerned.

The CHAIRMAN—That may be more or less true from a traffic standpoint. But my point is if these terminals that compete, Duluth, Minneapolis, Omaha, Kansas City, Chicago, St. Louis, Baltimore, Philadelphia and New York, can agree on a relative basis as reflecting the freight factor and the competition factor that we should be exceedingly glad if they get together and present to us their agreement, their accord on that question.

Mr. CARKENER—I do not know who acted in the conference representing Kansas City to which the gentleman preceding me referred, but I do not think that any number of Kansas City

grain men would agree that nine cents a hundred or 5.4 cents a bushel for St. Louis over Kansas City would be a fair adjustment. I do not believe that those markets can get together and agree on what would be a fair adjustment. We have a different viewpoint and I am of opinion that would be settled by the markets. For Kansas City, with reference to this present adjustment, it may be wise that the conclusion be arrived at that 3 cents is fair. I am quite positive that 5.4 cents over Kansas City for St. Louis would be unfair to Kansas City.

A good deal of Omaha territory, especially the eastern part of the State, would go to St. Louis because the differential is not 9 cents a hundred. That is true in a good deal of Colorado; all of the interior mountain territory goes to St. Louis at 5 cents a hundred over Kansas City. The same is true in Oklahoma. They would have a definite advantage over us on the basis of a 9 cent differential. As it is, we have the first crack at our own territory, Kansas and more or less Oklahoma and we divide Nebraska with Omaha. On any increase of the differential to St. Louis over Kansas City we would not be able to draw any wheat out of the West from points as close to Kansas City as Independence, 10 or 12 miles away. We feel we are entitled to part of that territory. The history of that market during the pre-war period would show that we had taken wheat from St. Louis territory, for instance as far east as Mexico, Missouri, in large quantities and right along during certain periods but not all the time. St. Louis has her wheat territory the same as Chicago. If the adjustment is fixed as to Chicago and St. Louis on the basis of 9 cents to 12 cents a hundred, what could we get out of Missouri and what could we get out of Illinois? At the same time, Chicago and St. Louis could get wheat from every foot of our territory and the further West you go the greater advantage they would have.

Of course, Kansas City has unequalled elevator facilities, in my opinion. We have a great deal of modern concrete storage which, from my viewpoint, as well as from the viewpoint of the Food Administration, makes it the most economical place in which to accumulate it.

Another thing, we don't know where this wheat is going. If it comes to Kansas City it can go to New Orleans, Galveston, St. Louis, Chicago or Louisville.

The CHAIRMAN—Aren't you arguing the Kansas City case a little fully under this heading? Haven't you made it clear

that you cannot agree and that it must be referred for consideration later?

Mr. CARKENER—Yes. I am perfectly satisfied to leave it for later consideration, but St. Louis and Chicago wanted to argue the matter.

The CHAIRMAN—I don't think we ought to argue this question except to make clear if they would agree among themselves, the various exchanges, if possible that that would be one solution; and if not we will hold a reconsideration of this question and listen to all their arguments, just such as you have presented.

Mr. BALLARD—I cannot let Mr. Carkener's statement go unchallenged.

The CHAIRMAN—I stopped Mr. Carkener from stating his point.

Mr. CORNEILSON—When the matter is under consideration, Peoria would like to have an opportunity to present its case as being one of the oldest terminal markets in the country, more favorably situated for the movement of Illinois wheat than any other market we know of. We have not had any consideration heretofore and we would like an opportunity to present our arguments.

The CHAIRMAN—Your case is more a question of arguing as to your right to have a price basis at all?

Mr. CORNEILSON—Yes. We want an opportunity to explain why we think it ought to be one of those terminals which shall enjoy a price basis. We think Peoria is entitled to that.

The CHAIRMAN—In which case we will have to have a general convocation of some 15 or 20 cities.

Mr. CORNEILSON—I must differ with you on that because Peoria is a rate breaking point, one of the three rate breaking points between the Eastern and Western roads and it is differently situated than other markets out there not at the termini of the Eastern and Western roads.

Mr. LINDERHOLM—If we have a later conference I ask that Omaha be given an opportunity to present its side of the case.

The CHAIRMAN—Are you satisfied to leave Section 5 in that form, gentlemen? (No response).

Mr. STRATTON—We are in a rather peculiar position on last year's adjustment, not being a price making market. We felt that our adjustment was hardly fair to our market because we have only a very limited territory from which we can draw supplies from anywhere. Our adjustment as to trade to Minneapolis cut us off almost entirely. We took the matter up with you at the time and did not question your judgment then, that it was necessary as fixed, but we would like to ask what will be your attitude, providing the Grain Corporation remains in business this year, as compared with the present problem of fixing prices?

The CHAIRMAN—I don't think I could give an expression in advance. We would listen to such argument as the various communities could present for such changes.

Mr. STRATTON—And there would be no prospect of any guarantee as expressed in the President's Proclamation. That would be the only basis? Or do you think there will be any change in the basis?

The CHAIRMAN—The President evidently framed his guarantee on the market resolution as expressed by the Corporation, which was urged by the Corporation for consideration, hearing and argument last fall. Crop conditions might make a different reason for the corporation operating on that basis, whereas the Government guarantee may have to stand as promulgated.

Mr. STRATTON—That is what I wanted to clear up, whether in the event crop conditions justify a change in the basis there will be such a change or whether the proclamation might be changed to meet that?

The CHAIRMAN—No, I do not believe the Government guarantee basis can be changed. And if we operate only to make good the Government guarantee the probability is that we will have to operate on that basis; but if the crop is large enough, as we hope, to restore most of the individual and competitive conditions of market competition then there is a field above that guarantee which we hope these markets will be able to reflect in their own competition. The Government guarantee, if that is the foundation of the market structure, will more or less limit your competitive field.

Mr. MAGNUSON—If there is any change in the present rating condition, we ask that Minneapolis have an opportunity to be heard.

The CHAIRMAN—Certainly. Every market interest will have a chance, even Duluth. Are you satisfied with the discussion of Section 5? Hearing no response I assume you are.

6. FUTURES TRADING (Terminal Problems).

We will proceed with Section 6 and discuss the question of Futures Trading. I think I may say as to wheat on the start that I cannot conceive the Food Administration reinstating any means of speculative trading in wheat; that they realize there is an obligation to furnish some kind of a price guarantee in its place, which was furnished last year, but I must say as to wheat if you have any views we will be glad to record them but I am quite convinced that is the policy of the Administration and that it cannot be deviated from.

But as to other grains I will be glad to hear how the present method of reinstated futures trading has worked and whether it is encouraging legitimate business and any suggestions as to alterations that experience may have suggested.

Mr. White, would you tell these gentlemen how the new plan is working in Chicago?

Mr. WHITE—The plan was put into effect a few weeks ago and has thus far been working smoothly. The purpose of our Directory Administration is in line with the advice of the Food Administration, to limit speculation, to prevent what Mr. Hoover describes as vicious speculation, to discourage trading speculatively by people not in the business, and in lieu of exercising the power under our war emergency rule of putting on a maximum price in case of a rampant market we expect to control it by limitation of the amount which any firm, corporation or individual might buy or sell in a speculative way.

The need of a market in which hedging could be practiced satisfactorily was demonstrated when we were without that kind of a market. Without hedging operations and also owing to the lack of transportation great embarrassment was felt by people handling the crop which they were able to move and which they received at the country points. I heard of one case where a man required 15 cars to take care of corn which was being pressed upon them by the farmers. He obtained one. He bought the corn with which to load that car for \$1.10 and moved that to a point further east where there was a scarcity and received for it \$1.70. There were two others who were afraid to buy, not only because they were unable to move it quickly but also because they had no hedging facilities.

Since the future market has been opened fluctuations have been very much reduced and the fluctuations have been really less than I expected they would be when we opened the market. A feeling was expressed that the hedging market should be limited to those who had corn on hand, and those on the buying side. That, any one experienced in the business could see would be impracticable because there would not be a sufficient number of buyers and sellers meet at the same time and any one who might take in 100,000 bushels of corn or oats at the country elevators going into the market would not find at that time the buyer who had the product sold. And so a certain amount of speculation is needed to provide a stable market. The market is now provided and the aim is to control it by a limitation of the quantity. At present the limit is placed at 200,000 bushels and our members have been admonished to refrain through the medium of market letters, public or private wires, or by any other means to stimulate speculation by drawing into it the people who are not engaged in the grain business. If a wave of grain speculation should appear we will control it by reducing the amount that any one may trade in and if necessary cut it in half or down as low as 50,000 bushels or if need be down to 10,000 bushels in order to keep the market in bounds. That would produce the same results, almost, as closing the market, as far as discouraging vicious speculation or a great speculative wave that might be injurious.

I think, sir, that it is demonstrated that those lines will succeed in providing the trade of the country with a satisfactory hedging market without the influence of any manipulative speculation or the growth of any large popular wave of speculation.

The CHAIRMAN—Is there a general feeling in the grade trade that the establishment of ready means of hedging in that way leads to the elimination of unusual hazards and therefore permits a closer relative price to the producer? Is that the conviction of the trade?

Mr. SAGER—Replying to your question I think it is clearly demonstrable through experience of the past few months that hedging operations do absolutely lessen the risk incident to marketing the corn crop and thereby enable all the intermediate agencies from the country grain buyers to the ultimate consumer to operate on a smaller margin of profit by reason of the elimination or lessening of risks and therefore results in a lessening in the price difference between the farmer and the consumer of grain products greater than would be possible without the facili-

ties for hedging. To truthfully illustrate this I wish to call your attention to the experience of the trade during the past winter when hedging facilities were largely eliminated or at least so considerably curtailed and restricted as to make them almost inoperative.

Probably during the lifetime of every man in this assembly there has never been in the history of the grain trade such a wide margin of intermediate price difference between the producer of corn and the consumer of corn as has prevailed this last winter. That was due to three fundamental causes: first, the unfortunate and desperately poor condition of the crop which made it a much more hazardous crop to handle, increasing the risk for the buyer who took it from the producer to the consumer and naturally inclined him, in fact compelled him to handle it on a wider margin than usual in order to offset that great hazard; second, there was also the unparalleled difficulty in securing transportation, and I think that was the largest factor in exacting from the ultimate consumer an unduly high price for corn and corn products because the country buyer, not knowing whether he would get a car to ship soft corn in December or whether he would have to wait until April or May, and realizing the spoilage condition of the corn, he had to buy it on a very wide margin, and that he was enabled to buy it on this wide margin was due to the appreciation of the producer concerning the danger of holding his product. He was most anxious to dispose of it at any price offered whatever rather than have it spoil on his hands and therefore passed the risk to the country dealer who recognized the great risk and bought it as low as possible, not knowing when he would be able to ship it by reason of the shortage of transportation. So I emphasize transportation as being the most important and far reaching factor in the very large toll exacted from the consumer in the way of enhancement of price from producer to consumer of the last corn crop. Thirdly, and not one of the smallest factors but a very important factor in this wide price condition or wide price difference, that resulted from lack of facilities afforded to the buyer in the country for hedging his purchases as he had previously been able to do by sales for future delivery on the Exchanges. To illustrate that point I would call attention to the fact that the only grain in which there was practical future and unrestricted hedging facilities offered during the entire season was the crop of oats, and the price difference between the producer and the consumer of oats has ruled far less all winter than has been the case in any other grain.

I would point, for instance, to the enormous fluctuations and wide difference in price of barley and to the fluctuations and wide difference in price of rye in which there is practically no hedging operation conducted at any time. I also call your attention to the price of corn in which there was formerly free and unrestricted hedging operation. The only grain which was marketed from the producer to the consumer with a reasonable and moderate price difference was that one grain in which the hedging facilities were almost untrammelled or at least very moderately restricted during the season, and that was the crop of oats. So I think our experience during the last winter has demonstrated to the satisfaction of intelligent observers, including many farmers and others in the grain trade but not heretofore students of the economic questions of the grain trade, I think it has inclined them to a more favorable consideration of the value of hedging operations and future trading on the Exchanges than has ever before prevailed.

I am sure that the experience that we have now or suffered from during the last year has demonstrated the conviction of all concerned that hedging operations are essential and, properly conducted, are useful and a very important factor in the economical marketing of grain crops of the country.

Mr. LINDERHOLM—I agree with that in every instance, but Mr. White said we are trying to eliminate the outside speculator. We will agree we have to have the speculator to make a hedging market that will be stabilized. If we have to cut those fellows out, and are going to confine ourselves to the regular grain trade it should be without any restriction from any direction outside of policing the market and holding down your speculative trades to limits of whatever that market sees necessary to make in order to stabilize that price. I cannot see the difference between a man that has 100,000 bushels and a man that hedges it and buys that in and the man that has not 100,000 bushels and sells it and buys it in. I don't think there should be any distinction whatever made in regard to how you handle that so long as you are within your rights and the rules covering the Grain Exchange that you happen to do your business in, and I would not like to see anything to affect that kind of trading but, on the contrary, I would like to see everything that would tend to discourage it eliminated.

The CHAIRMAN—Is it the sentiment of the trade that the reinstatement of hedging does facilitate the marketing of corn, both from the standpoint of the country dealer as well as the terminal

dealer? Is there any dissent from that view? Will anybody express a different opinion on that? I would like to get the record full and clear.

Mr. WESTGATE, of Portland—The operation of hedging is almost unknown in our country. The merchant buys his grain as a merchant and sometime an Eastern trade will operate to a certain extent as a sort of hedge. But from our standpoint hedging will not facilitate this at all. The sentiment of the people is against the operations altogether. The disposition of the public, the disposition of those in political circles is to regard any Board of Trade operator as a man with tin horns and a long tail.

Speaking merely from the sentiment in our own section, which is so peculiar that we can hardly participate intelligently in many points which come up here, we say that hedging operations do not in our section afford us any benefit or do otherwise than afford the layman an opportunity to go into the bucket shop and gamble.

Mr. PRIDDY—It seems that we might well take into consideration the relative values of cash grain to future markets. In the Southwest last year our corn crop was practically a failure. Feeders and dealers, anticipating the future needs in that direction went into the market to buy future corn, anticipating taking cash grain from month to month as it might be needed. When this corn arrived and they wanted to convert the futures into cash they found they were subject to being closed out at 1.28 and had to go into the same market and buy it at 1.85 for cash. It appears there ought to be some relationship of cash to futures and the man who wants to buy corn to convert it into beef ought to be able to go into a market at any time and protect himself for his future needs of corn and not be forced to pay from 50 cents to 90 cents advance on cash corn. It seems to me that the administration might require that on all future sales the buyer, as heretofore, might expect that something like that might be developed in order to protect future sales.

Mr. SAGER—That was one of the strongest arguments I ever heard in favor of the free and untrammelled and natural operation of the hedging market. The condition the gentleman has just referred to whereby he was unable to receive delivery on future purchases arose wholly from arbitrary restrictions, considered possibly necessary as a war measure, which were injected into the hedging market but which never in the memory of man

have been so injected and which let us hope never will be again. That was a disarrangement of the hedging operations such I hope we will never adopt again on our Exchanges. It was wholly in regard to the natural and pre-war method of hedging that I spoke before and that I speak for and endorse now.

Mr. SMITH—I would like to add just a word. In Texas we have had a soft feed crop and the feeders of our State have lost more money this year by being unable to go to Kansas City and buy their customary 10 December corn or 25 December corn in order to anticipate their winter feeding than they have ever made out of speculating in future markets. The loss to feeders this year has amounted to many millions by being unable to go into the future markets and anticipate their winter feeding needs.

Mr. PIERCE—Replying to the gentleman from Portland. The Continental Divide makes a very natural division between the Pacific Slope and the Atlantic Slope in the grain business. There are, as I understand it, no future markets West of the Continental Divide where wheat is traded in to any considerable extent. I am not as familiar with conditions existing West of the Continental Divide as with those existing East of the Continental Divide, but, at the same time, I think we generally understand and I think it is generally agreed that the margin which is created by the dealer and which comes out of the producer and the consumer out there is wider West than East of the Rockies.

As far as the risk which they accept is concerned, they secure a very much larger rate of profit to cover that risk. One of the prime recommendations of futures is that they are always in the interest of the public. It is a fact that through our system of trading we are able to take the grain from the producer at an extraordinarily low margin, at a smaller margin of profit than is secured in any other line of business in this country and as far as I know in the world.

On the 1st of February of the present year a fairly representative committee of the grain trade called on Mr. Hoover by appointment to make certain suggestions and recommendations. It was a Committee of the Grain Dealers' National Association. It covered the entire grain trade, both geographically and as far as transit conditions were concerned. That committee made certain recommendations. They are not very long and I ask permission to read them because it will

express certain views of the trade East of the Rockies. (Reads). That was the recommendation on that point. There were 15 on the committee from the two organizations, spread as carefully as possible geographically.

Mr. EVANS—As far as hedging or Government guarantees are considered from the standpoint of the miller, there is no such thing as hedging, at least it is entirely unnecessary. Unless the grain can be delivered or received, as the case may be, on the hedge it is utterly useless to the miller. Any other procedure is simply a straddle or gamble or whatever you wish to call it. A miller cannot receive any benefit, or at least he runs in danger of great loss, unless the actual grain is deliverable upon the contract.

Mr. MILLER—My observation is that the tendency has been for an undue advance in prices under certain circumstances and an undue depreciation in prices under contract circumstances. So to speak of unlimited speculation in futures seems to me a wrong view of the situation. There should be such limitation as to prevent what we term at times undue speculation, speculation by the general public. Unlimited speculation must not be looked for but a degree of limitation should be carefully looked for by the Boards of Trade.

The CHAIRMAN—Let me ask you, you are a corn miller?

Mr. MILLER—Both wheat and corn.

The CHAIRMAN—You have no criticism from the standpoint of a miller who wishes legitimately to use a terminal market to future trading when that implies the actual delivery of the article sold?

Mr. MILLER—Not at all.

The CHAIRMAN—Your criticism is directed against future trading when a price settlement is contemplated?

Mr. MILLER—Yes.

Mr. SEARLE—It hardly seems necessary in a meeting of such men as are present here today, who are familiar with the corn trade in all its different phases, to discuss the question of hedging, but I assume that the Chair brought up this matter more for the record than immediate information. For that reason I wish to touch upon one phase of the question that has not been mentioned to any extent. That is the question of financing a crop

without the hedging market or without some sort of a guarantee as to price.

I think conditions as referred to by the gentleman from Portland are perhaps somewhat different from those this side of the mountains in this respect, that larger accumulations are accumulated at terminal points this side of the mountains than in the West. The bankers have been accustomed to loaning their money to their clients with the understanding that their grain has been hedged so that they are amply protected against a decline in the market. I think this is one phase of the question it will be necessary to take into consideration in the question of future trading. Without a hedging market or without a guaranteed price I believe these storage facilities would not be used today anywhere near their full extent, so I think on this count alone a hedging market should be provided.

Mr. VOLMER—Mr. Chairman, the members of the Grade Trade in San Francisco have no objections to operating in futures.

Mr. PRIDDY—For fear my remarks may have been misunderstood, I don't believe that any member of the Texas Grain Dealers' Association or feed men I know of would object to hedging. I feel it is for the best interests of the trade, but some steps should be taken so there may be a comparatively just relationship between cash grain in the same month and the hedges in the same month, and some steps should be taken which would perhaps prevent a change in those rules over night. And perhaps it might be just to notify the longs and shorts on every man's books of every material change so he might be given 25 or 30 days to protect his interests. If he is figuring on getting corn, let him go out and get it elsewhere and have it ready to feed his live stock when he wants it.

Mr. WHITE—Referring to the remarks of the gentleman from Texas, I would like to state that, as referred to by Mr. Sager, the breakdown that occurred was entirely due to the war conditions. We have adapted our rules and they limit the amount of hedging by the quantity instead of controlling it by any other artificial means. Delivery is contemplated on all those contracts. If conditions are such they want to buy the grain somewhere else and close the contract in Chicago it will be in relation to the cash corn market. What that

market has now in operation will, as in past years, contemplate deliveries, or where there are settlements, on the basis of cash grain so as to provide a future market that will be a real benefit. We have lately made a change in the grades of corn which are deliverable on contracts to bring them into line with the bulk of the crop which goes into commercial channels. The No. 4 corn, of which the bulk of the crop consists, is now a grade deliverable. No. 3 corn is deliverable also at the contract price with a moisture content of 17-1/2. No. 3 now has a moisture content, I think, of 15-1/2 per cent. No. 4 ordinarily contains 19 1/2 per cent moisture. That difference in the moisture content is equivalent to a moderate premium or a premium of that much. This, I think, will assure the Grain Trade that they will be able to make deliveries of the corn they have sold and may feel a like confidence that their purchase is a protection for their future needs.

Referring once more to speculation. A gentleman here took exception to what I said about outside speculation. Every American citizen has a right to sell or buy whatsoever he pleases wheresoever he pleases. Speculation is recognized as of value. Justice Holmes in one of his decisions referred to speculation as the adjustment of society to the probable, that it anticipates shortages and equalizes supplies and averts disasters. The system which has been evolved through several decades and has become perfected with many abuses from time to time eliminated, affords a machinery that, as Mr. Sager pointed out, permits movement from farm producer to consumer at a small margin and at a smaller intermediate profit than is the case in any commodities that are not so dealt in.

When I refer to the stopping of outside speculation, I draw that line from which a good deal of speculation comes which is injurious and which brings the Exchanges into public disfavor. Speculation by those who are financially and mentally equipped for it renders a service, but where houses reach out to induce people who know nothing about the grain business to come in and trade in an article of which they know nothing, that is very distinctly bad. There are many small towns with offices where there are agents who have to make a certain showing, and if people there are induced to speculate and to neglect their own business and make a failure which sooner or later they are bound to do it becomes a scandal in that community and the discredit is all thrown on the Exchange and

brings about just such a sentiment as was referred to by the gentleman from Portland, that it was a gambling transaction.

Mr. CARKENER—There has been considerable complaint in the past because the two factions in Kansas City have been more or less divided. The cash grain dealers in Kansas City have been divided for a long time but they are now coming together more and more and the hedge is coming in moderately now. We have a moderate amount of speculation and it is not interfering in any way with the operation of our business.

The CHAIRMAN—You feel in your section that permitting legitimate dealers trading on a moderate margin will be more satisfactory?

Mr. CARKENTER—That is coming in gradually. Our present plan has been in operation only a short time but there are people with corn that was bought so low they did not need a hedge; others bought so high that the hedge does not at the present time offer a satisfactory hedge. But there is gradually being worked out a plan of procedure and I think it will be only a short time before the hedge will be used generally.

Mr. WELLS—You are inquiring as to the sentiment in the trade generally. I have been around a good deal and have sounded the sentiment of the farmers, which I think is changing, because of the demonstration that we have had during the past year. Recently the editor of one of our Farm Publications of Des Moines, and a publication that stands as high as any in this country, called on me and talked this matter over very thoroughly. He said he had never given any attention to the matter in his editorial columns but he was becoming very thoroughly convinced that price fixing was detrimental and that futures trading is necessary. This man is very closely related to the stock feeding farmers of the country and he went on to relate the experiences of the feeders and he did think absolutely that we should have future trading. From the standpoint of the country shippers in Iowa, we are very much interested in the new regulations and there are some questions that have been asked that we would like to clear up. Personally I am placed in a position where I will be called upon to answer those questions when I go back. One of those, as I understand Mr. White, is that future trad-

ing will be limited to 60 day futures ; that is, every month will be a trading month.

Mr. WHITE—Every month will be a trading month for 60 days after the current month ; that is, in this month of May you can trade in June and July. After the 1st of June and from the 1st of June and later you can trade in July and August.

Mr. WELLS—In the practical operation of the country shippers' business that will necessitate changing over from one future to another.

Mr. WHITE—Yes, if you are holding beyond the period.

Mr. WELLS—Do you think there will be any loss in that change? I am not an expert in future trading.

Mr. WHITE—That will be dependent upon the month. If there is a good crop prospect and that future is selling at a discount the consequences of course would follow accordingly.

Mr. WELLS—With that limitation, futures will be a loss that will interfere with the hedging proposition?

Mr. WHITE—No, because if you are buying for July you are buying in anticipation of getting it that month. If you do not want it then and in anticipation of the crop the month beyond that which is selling at a discount you will get it that much cheaper by selling one and buying the other.

Mr. WELLS—As I understand, the rule itself is somewhat flexible. You say you may reduce the limit as to time and quantity?

Mr. WHITE—No, not as to time. The limit is absolutely on quantity with which any one may trade in order that if the public should from any cause come into the market in large numbers and bring about what we call a speculative wave then we would check that by reducing the amount that any one could trade in speculatively, but it would not limit any one who has the corn to hedge or has the product sold and wishes to buy to protect his hedge.

Mr. WELLS—Is it not possible you might want to increase the amount above 200,000 bushels?

Mr. WHITE—If conditions should warrant it, and if we had a large crop and a broader market is needed then we will expand it in the same way. It is a case of expanding or contracting to meet the needs of the moment.

Mr. SAGER—Mr. President and gentlemen, I would like to clear up the situation as brought out by Mr. Wells by stating—and I think I violate no confidence in so stating—that the limitation placed by the Directors of our Exchange and by the governing bodies of the various other Exchanges to trading in future deliveries for the current and two succeeding months was largely done in deference to what we understood to be the desire of the Food Administration to bring future trading into as close relation as possible with cash grain prices and to eliminate, as far as possible, long deferred and distant speculation that had less to do with actual cash prices. We were governed very largely by what we thought the Food Administration conceived to be in the best public interest by limiting trading to the current and two succeeding months.

Further, in reply to Mr. Wells' inquiry in regard to business for hedging or in regard to opportunities for hedging accorded the country shipper, perhaps he does not clearly understand that there is no limitation to the amount that may be bought or sold on the Exchanges, provided such transactions are purely hedging operations. An individual elevator or a line elevator having accumulated a million or half a million or several million bushels of grain is permitted to hedge to that extent and all individual traders are permitted to trade at present to the maximum amount of 200,000 bushels beyond their actual hedging operations.

Mr. PIERCE—This is so important a subject that I do not hesitate taking up as much time as may be necessary to discuss it fully. Mr. Wells has made a very entertaining statement as to a conversation he had with a producer. On that he pointed out how clearly the producer recognized his interest in this matter and how much speculation had to do with the movement of grain. I have a very curious and very clear illustration based on the movement of oats and the relative prices during the crop of the present season, that is the crop of 1917. It is very brief and very terse.

The record of oats movement is very interesting, as it brings out in a striking manner the effect of a natural market upon the distribution of a given crop. The crop and farm stocks on August 1, the beginning of the crop year, aggregated 1,635,057,000 bushels against 1,365,565,000 bushels in 1916, an increase of almost 20 per cent. From August 1 to January 19th

the primary receipts of oats have aggregated 179,151,000 bushels against 185,592,000 bushels for the preceding year, showing that the movement of oats is 4 per cent. less than last year in spite of the larger crop. The falling off in receipts, however, was almost entirely during the month of August, although in October there was a small decrease as compared with the preceding year. For every month of this season receipts have exceeded those of a year ago. It is significant that receipts have increased this year in comparison with the similar period of the previous year in rather close relation with the increase in the price; for example, taking the price of May oats on the last day of each month and the cash price on track in Chicago of standard oats on the same date it appears that the least attractive price was during the month of August, and for that month the receipts as compared with the previous year were very much smaller. In September there was an advance in the price and receipts for the month ran above those of the preceding year. In October there was a decline in price and the receipts declined below those of the preceding year. For November, December and January to date prices have been on the up-grade, and for each period the primary movement exceeds that of the preceding year.

The following tabulation shows the price of May oats at the close of business on the last day of each month and the primary receipts of oats for that month, or the nearest possible period corresponding to it for the present season and for that of a year ago.

	May Oats- Chicago.	1917-18.	1916-17.
August	59 $\frac{5}{8}$	38,754,000	58,450,000
September	61	36,668,000	32,875,000
October	59 $\frac{7}{8}$	40,975,000	43,882,000
November	69 $\frac{1}{8}$	29,499,000	23,713,000
December	75 $\frac{7}{8}$	20,333,000	16,371,000
January 1-19	76 $\frac{5}{8}$	12,922,000	10,301,000

Standard Oats Cash Track Price, Chicago.

57 $\frac{1}{2}$ —58 $\frac{1}{4}$

61 —61 $\frac{1}{4}$

60 —60 $\frac{1}{2}$

74 —74 $\frac{1}{2}$

81 —82

In addition, it should be kept in mind that this rule of an advancing price bringing out a larger movement has occurred in spite of a situation as regards car supply much worse than that of a year ago, and, in fact, the worst we have ever known.

It is also very important to note that during this period the price of oats for future delivery shows an extreme range of only 17c. per bushel, while the price of cash oats quoted for the same days shows an average range of 24½c., the futures ruling higher than the cash price when prices were low, and lower than the cash price when prices were high. The only possible conclusion is that futures prices being the more conservative have exercised a steadying influence upon cash prices, and have tended to minimize the violence of fluctuations.

There is an illustration in the past, and it is pretty hard to get around, I think.

Mr. VOLMER—The gentleman from Chicago made a statement a moment ago that California objected to future hedgings. (This was because a misstatement was made in the remark by the gentleman from Chicago referring to the objector as being from California instead of from Portland, which the stenographer corrected.) I did not object to future trading. I said we were in favor of future trading and I did not think it necessary to go into any explanation as I thought all the grain dealers were perfectly familiar with operating in futures.

The CHAIRMAN—Mr. White meant the gentleman from Portland.

Mr. WHITE—I meant the gentleman from Portland and I was simply referring to the sentiment which he spoke of as prevailing there. That sentiment is very largely prevalent in that country, as elsewhere, due to efforts by poorly advised individuals to bring people into speculation who know nothing about the business which is, in my judgment, detrimental to the interests of the Exchanges. It may be a source of profit to those who induce them to do that without judgment but those people are trading simply on somebody's say so. Their trade is of no value, really. It does not render any service because it is speculative, whereas the service performed by the intelligent dealer in futures, one who is financially and mentally equipped for is of value to the community. On the other hand, the speculation to which the gentleman in Portland referred and to which I referred I consider as in the nature of a gamble.

Mr. SHORTHILL—The one thing that appeals to the country dealer in connection with the handling of wheat and in connection with the activity of the Grain Corporation is the degree of certainty which has been injected into that dealing. That is appreciated very much in these times when about the only certainty in the world is uncertainty. The dealer who has purchased a supply of wheat now is not compelled to worry as to whether the exporters or the millers or other buyers are going to drop out of the market. So far as the money he has invested in his wheat is concerned he is not compelled to worry how the tide of battle goes, and so far as that money is concerned, aside from his operating expenses, he is not compelled to worry as to what the car shortage is going to be. Those uncertainties have been largely removed by the positive action that has been taken by the Grain Corporation and that has been maintained.

Without discussing the merits or demerits of the trade in futures, but admitting as we all must that future trading has a very great influence on the market, it seems to me that one of three courses ought to be pursued, either one extreme or the other or the intermediate course. Either these future markets ought to be turned loose and people allowed to know they are going to be turned loose, as the one extremity, or else there ought to be a positive price fixed on these grain products the same as it has been for wheat products or for wheat itself. Or else the intermediate course ought to be pursued of deciding what limitations can be placed on future trading and can be adhered to.

A policy should be decided on that would probably result in the lesser of the evils during the time this war continues and then that policy should be adhered to because if there is anything under the sun that is disconcerting to the country grain dealer it is this feature of uncertainties being added to uncertainties. It may be that any policy that might be decided on would not remove all of the objectionable features, but I will say to you any such policy within reason that can be decided on and followed out will not be so disconcerting, so inefficient, as an uncertain policy, and that policy will never cost the public as much as uncertainty will cost it, because the public has to pay the bill engendered by the dealer who is up against uncertain propositions. The thing we should have in mind is getting down to some basis that will be more or less acceptable to all of us and which we may reasonably expect we may adhere to until this war is closed and until a respectable period into the future and thus

enable us to get away from this injecting of uncertainties into the grain trade (applause).

Mr. HAYWARD—I want to see if I cannot come to the rescue. Future trading has always been a bone of contention ever since I have known anything about the trade. It seems to me a proper regulative feature is for the gentlemen of this meeting who think that future trading is necessary and desirable to the corn trade as a whole to put themselves on record. To that end I will move that it is the sense of this meeting that this meeting endorse such properly regulated future trading as may be agreed upon between the Food Administration and the respective Exchanges.

Mr. REYNOLDS—I doubt the advisability of that—

The CHAIRMAN—Do you second this motion? Will you second the motion and then speak on it?

Mr. REYNOLDS—Yes, I second the motion.

The CHAIRMAN—Then proceed.

Mr. REYNOLDS—I doubt the advisability of our officially approving this question of future trading. From the standpoint of the country shipper we recognize, and I endorse what has been said by Mr. Shorthill and several, but I doubt the advisability of bringing it up when we are not attacked. When we have pretty well acquainted the members of the legislative bodies of the country of the necessity of future trading I doubt whether we are not shuddering for it to a certain degree in our own minds by bringing it up ourselves. I think the sooner we make up our minds to be ready to meet the issue squarely and intelligently where it will have to be met the better, and I am sure, from a legislative standpoint, that we have more to be gained at this time by letting the subject remain dormant than we have by continually stirring it up.

Mr. PRICE—I would like to ask one question I started to ask ahead of time last night, before this thing is settled. I am not conceding whether it is right or wrong, because I am not strong enough in my knowledge of the subject to define what a hedge is and so I let it alone. But, if we concede a hedge is right, are you going to force us to hedge whether we want to or not? Somebody makes money out of a hedge some place. The grain will run our expenses this year if we are conservative and we can afford to be conservative. Why force us to sell out for a little margin and let somebody else carry it when we could not carry it? Where we have held a certain quantity of

stock because we couldn't deliver it within the time specified for the reason that we had to deliver wheat and corn in preference now if we cannot deliver it why can't we have the profit in carrying it? Somebody makes that profit.

The CHAIRMAN—Let me see if I can clarify this subject and after that we want your expression. We have for months received complaints from corn millers that they could not buy at terminal markets in the customary manner corn which they wished to mill and count on getting deliveries. That was supplemented by the universal complaint of these 20,000 country dealers that they had no way in which they could safely buy the wagonload offerings of coarse grain at their elevators and be sure they would not face a loss because there were no cars, and therefore they proposed to protect themselves by maintaining a margin that was unfair to the producer. Therefore the Grain Corporation felt it was vitally interested in reducing these hazards to reflect itself in lower margins. There was no way to reinstate a natural market as long as the car supply would not produce a natural flow of grain to make a natural market. As soon as the natural car supply improved so one could count on a natural flow of grain, the Food Administration consulted with the Exchanges as to the desirability of reinstating a hedge which would contemplate actual deliveries. It was after that conference that this present hedging market is being tried out. It is probably as near a natural market as can be conceived and should make in operation the country buying and the country handling, as well as all the selling agencies of grain handling, as safe as possible under war conditions.

If you wish an answer to your direct question I think we should face it exactly and tell you why we promulgated our regulations. We laid down three basic principles, first, limiting the prices charged and every licensee to charge a reasonable amount over expenses and forbidding accumulations on a rising market; second, keeping all food products moving in as forward a line and with as little delay as possible to the consumer; third, limiting as far as practicable quotations for future delivery and dealings in future products. On the basis of those three principles there were framed our regulations which prohibited any dealer in food commodities holding at one time more than sufficient for the ordinary purposes of his business for 60 days—the purposes of his business for 60 days, not holding it for 60 days. Therefore when that past a reasonable expectation of the necessities of your business for 60 days you could not be encouraged in

the policy of holding. And it is urged for grain above that quantity this hedging is in a proper sense reselling in the market and is flowing in the channels of commerce.

Have I made the point clear?

Mr. PRICE—I can't get it until I know what a spread is and what a hedge is (laughter).

The CHAIRMAN—Take your class and let us assume that you are a country dealer and want to buy wagonloads, that you want to buy at the farm but you are in a short market and your deliveries must necessarily be delayed on account of the shortage of cars. In that case a future market furnishes you an opportunity on the same day to sell that delivery in Chicago or some other future market and under conditions which assures you a fair profit on the price you paid the farmer. That is legitimate.

Mr. PRICE—No. We are afflicted with too many threshing machines that thresh our crop in two or three weeks and our houses are full with wheat. Then what?

The CHAIRMAN—Then if your houses are full you sell the equivalent in these future markets. That is a hedge. You have your price fixed and the margin of profit fixed. You can get on the telephone, or get a telegraph blank and tell where you are at in 15 minutes where you have the facilities of a future market.

Mr. PRICE—I understand that but there is a charge made somewhere?

The CHAIRMAN—We are trying by these regulations to develop a system which will insure against the loss of which you are afraid.

Mr. PRICE—I lost \$12,000 on wheat but I was able to get it back on oats. If I had not got it back on oats I would not be as pleasant as I am. We ought to have a chance to even up when they do pay higher.

The CHAIRMAN—I have said we might discuss this at some considerable length. It is evident that there are some phases of this that you have not comprehended yet or we are wrong in our explanation.

Mr. PRICE—We are afraid to comprehend it.

Mr. PIERCE—I want to bring out this point. You have mentioned these regulations that were proclaimed by the President. I suppose it is fair to assume that the President received sug-

gestions from the Food Administration when he formulated those regulations?

The CHAIRMAN—No doubt.

Mr. PIERCE—Among the regulations is one limiting the prices charged by every licensee and their profits to reasonable amounts and forbidding the acquisition of speculative profits on a rising market. Did you ever hear of anybody buying anything with the expectation of making a loss?

The CHAIRMAN—Not with the expectation, no.

Mr. PIERCE—However, if a man is not allowed to buy anything and make a profit, why should he buy or how can he buy?

The CHAIRMAN—We will be perfectly satisfied, as Mr. Hoover said yesterday, if nobody speculates in food products for a profit on advancing prices during war times.

Mr. PIERCE—I am still without an answer which I can understand to my question. How are we supposed to get any speculative spread of prices necessary to accumulate a stock? How can grain men assume the entire risk under such circumstances? If a man cannot buy anything with the expectation of making a profit without doing an illegal thing, how can we expect to get out under such conditions?

The CHAIRMAN—The ideal condition in the future trading market would be that in which the legitimate buyers, the buyers who are buying for actual use, millers and feeders, should just exactly match the hedge of country offerings. It is because we conceive those matchings did not come exactly even that there was injected into this problem a limited quantity of speculation, not because it was approved as proper.

Mr. PIERCE—Now as regards these matchings? As a matter of fact, at the very time that we need speculative support for prices, what are the people doing who, like grain dealers, are buying grain for speculative purposes? If a large milling company like the Minnell Milling Company at Fostoria—I don't know whether they grind corn or not, but in an ordinary year when they are trading in wheat, they have very large storage capacity and it is no secret to state that concerns of that character usually hedge a portion of their purchases at least, which they hold in excess of the amount of grain necessary to cover their sales of flour. People want to sell futures at the time farmers want to sell grain. Very few people want to buy futures

today. Why not? Because there is plenty of grain to buy. Where in the world will he find anyone to buy futures when he can get cash grain? It is when he cannot get cash grain that he wants to buy futures. Consequently, what is the value of a hedging market based on purchases of those who want to buy grain for specific purposes and where there is plenty of grain to buy?

The CHAIRMAN—Answering your questions in detail and taking the case of the Minell Milling Company. That mill can only use a 30 days' supply.

Mr. PIERCE—That was an illustration. That refers only to normal times. At the present time, of course, the question of hedging wheat is eliminated.

The CHAIRMAN—We will assume they are milling corn.

Mr. PIERCE—Take some mill specializing on the grinding of corn.

The CHAIRMAN—They can at the present time have only 60 days' supply of corn. There is a limitation on it and they are acting thoroughly in accord with this limitation and they are satisfied to work under that.

Mr. PIERCE—That prevents any miller accumulating and holding grain?

The CHAIRMAN—Yes.

Mr. PIERCE—But let us have an accumulation of grain. Last year, to illustrate the reason for that question, we had an accumulation of 16,000,000 bushels of oats. We had a perfectly tremendous demand and at the end of the season the 16,000,000 bushels of oats had disappeared. We went into the new crop, considering the size of the previous one, with a relatively normal supply on the farms. This year we have had no stocks. We have not been able to accumulate any. No one trading is buying futures in the ordinary way. Before these regulations came out it was very generally given out that the Food Administration would frown upon any considerable purchases of futures. I know when oats were in the 60's there was an advance of two or three cents a bushel in Chicago one day and the houses I represented were immediately called on to produce their cards and show why this extraordinary advance occurred, as far as we were concerned. And, I may add, that our cards showed pur-

chases in excess of sales around 300,000 or 400,000 bushels for the day. People cannot speculate on such a basis as that.

I want to offer a substitute, not an amendment to that motion, but a substitute for the gentleman's motion because it embodies all he has except one feature and that is a proper control of the future markets. Our troubles during this war have been caused by too much buying. When prices have been going down there certainly are no complaints from the Food Administration; but no matter from how low a point they start, if they start to go up, there is immediate criticism. When my friend Mr. Stream's telegram came out, when corn had not reached the point from which it started down, it came down again. The effect of that was almost an immediate drop of three cents a bushel. That sort of thing is not likely to encourage speculation.

Mr. Shorthill's criticism applies strongly to a situation of that kind. But you must not forget, Mr. Chairman, that there is such a thing as proper control. The only trouble we have had at all is when it has been unduly interfered with because the public has been excited, as they do get periodically, and the buying becomes out of proportion to the conditions that exist. The Chicago Exchange has absolute control over its own pits and can regulate them as they do now nicely, and if necessary can absolutely deny operations as long as necessary to pass the storm. We have the power to prevent the purchase of anything in the Chicago market at any time we see fit. They can shut it off entirely if necessary. So I would like to offer this substitute.

We wish to recognize the necessity of exercising proper control of the market as another feature of uniform distribution of coarse grain or of wheat when not on this definite Government price control when it will be impossible to make such distribution at similar markets owing to traffic complications. We can assume the risk of ownership, etc., but it will be impossible for many to take the risk involved in accumulating grain without a hedge except at prices so low that there will be no danger of a sharp falling off. I would like to offer as a substitute motion a resolution embodying the features of this recommendation.

Mr. HAYWARD—There is no use in saying that we cannot find some basis so we can agree. I think we clearly realize there will be varying degrees of that in future trading so long as future trading exists. I made my resolution as comprehensive as I could because I thought it was generally understood that the present regulations as to future trading were, in a sense, a mat-

ter of agreement between the Food Administration and the various Exchanges through which the trading is done.

Are you satisfied with Mr. Pierce's substitute?

Mr. HAYWARD—I do not clearly get it.

Mr. PIERCE—I am glad to withdraw my substitute. I think the other is more comprehensive as expressed by Mr. Hayward.

Mr. HAYWARD—I might say for your information and for the information of this meeting that properly regulated trading in futures is thought essential for the proper conduct of the grain trade, such properly regulated future trading as may be agreed upon between the Food Administration and the Exchanges.

Mr. PIERCE—That is exactly parallel with my thought. I withdraw my substitute.

The CHAIRMAN—Let me suggest that your substitute make clear the sentiment that wheat trading under Government guarantee of any kind was not contemplated in that sense.

Mr. HAYWARD—I take it for granted that was only by agreement with the Exchanges. When the time comes when you can agree with the Exchanges as to future trading you can incorporate that.

The CHAIRMAN—Are you willing as part of your resolution that there be a clause as to wheat under Government guaranteed price?

Mr. HAYWARD—I am willing for anything that will satisfy the sentiment of the meeting.

Mr. BALLARD—I wish to speak, sir, as a miller, and advocate the passage of the resolution as offered by Mr. Hayward. As a miller I wish to emphasize what Mr. Evans of Indianapolis said that millers are in favor of futures or future trading if they are satisfied that when they buy an article they can get it.

It has been my pet scheme for some years for the preventing so-called corners in the wheat markets of the country to provide that No. 3 should be deliverable on contracts at an agreed difference equivalent to the difference between No. 2 and No. 3. In the coarse grain that very idea has been acted upon in Chicago, making No. 3 grain or No. 4 grain deliverable on No. 2 contracts by an agreed difference so that the purchaser knows what he may expect to get and if he gets that he is going to get something

that will answer his requirements. As a miller, therefore, I wish to support that resolution.

Mr. SHORTHILL—Before the question is voted on, I should like, not as a matter of criticism, because I hope all my efforts will be along constructive lines, but for the purpose of information I should like to put three questions bearing on this proposition. As a basis for those questions, the regulations are going to require that each dealer shall not accumulate a supply beyond his needs for 60 days? Is that correct?

The CHAIRMAN—For all the ordinary purposes of his business for 60 days.

Mr. SHORTHILL—Then my first question is, what are the needs of a country grain dealer in his business for 60 days? What supply will he be allowed to accumulate or what is the limit that will be placed on him? I am asking this question because that is the first thing country dealers will want to know. When are we to have the ruling and what is going to be the basis of determination and what will be the result that will determine this point?

The CHAIRMAN—I should say, in answer to that, that you should refer to the expression of the President as to the underlying principles on which the business in the sale of foods during the war should be conducted. Any country dealer who is holding a stock of grain with the deliberate purpose of profiting by a rise in the market is trying to embarrass the principle of food control. It is impossible to say what he should have or shall have in stock. These things must be judged on individual merits and each case considered separately.

Mr. SHORTHILL—My next question is—I must say that I think that condition will result in much indefiniteness.

The CHAIRMAN—No doubt it is very indefinite and necessarily must be indefinite.

Mr. SHORTHILL—My next question is illustrated by a dealer handling corn and oats. Suppose he has an accumulation of both grains and because, for instance, of the condition of the corn he desires to move the corn because it is less risky in holding the oats and he wants to leave the oats in his elevator, will he be required to sell a hedge against that accumulation of oats while he is moving his corn?

The CHAIRMAN—I should say, if you want a ruling, my own opinion is no.

Mr. SHORTHILL—I want to know what the country dealer may expect in the working out of this proposition. Here is a condition he will be confronted with. It may not be corn and oats but something else.

The CHAIRMAN—Again I should apply the test of his motive. If he is accumulating for the purpose of profit on a rising market he is certainly acting contrary to the principles of food control. But many men may not be familiar with the system of terminal hedging and we have no desire to force such a new system on him. It is a matter of good faith largely on his part, after all.

Mr. SHORTHILL—My next question. Suppose the elevator becomes filled with grain as some have in the past year because it is not able to get rid of it. The way cars have been coming recently it would take something like three years to empty an elevator. Will a man be required to hedge his grain which is there in excess of his needs as an operator?

The CHAIRMAN—If he cannot ship the quantity which he may hold in excess of the purposes of his business for 60 days it would be that which he could ship in 60 days. No man can accomplish the impossible. Again I say we cannot force him to use a certain system of selling or hedging. If he in good faith tries to carry out the principle intended by the President of keeping all food commodities moving as rapidly as possible in the movement to the consumers we cannot expect him to accomplish the impossible.

Mr. SHORTHILL—Then if the shipper who has held back an accumulation of oats because of the greater risk of carrying corn or has desired to hold corn and ship oats and because of the car shortage is compelled to hold his house full of corn and in consequence of that accumulation derives an enormous profit, has he anything to fear?

The CHAIRMAN—I do not think so, if in good faith he tried to comply.

Mr. PRICE—In the hedging that you are going to force on us, I am going to ask whether as a result there will be a loss to the trade? (No answer.)

The CHAIRMAN—Gentlemen, are you ready for the question? Those in favor? Those opposed? Evidently the expression of sentiment is unanimous in favor of the motion.

Yesterday I said to Mr. Sager that there would be an opportunity to take up the matter of the Chicago Local rates and our

rules governing them. I would like to put that in the conference of the general market relations. It is a rather technical question.

Mr. SAGER—I suppose you refer now to the very serious question affecting Illinois and some Missouri shippers in the matter of Illinois proportional rates?

The CHAIRMAN—Yes.

Mr. SAGER—There is some doubt of the certainty that you will call a subsequent meeting to discuss price differentials. If so, then we would be denied the opportunity of presenting this Illinois proportional question. If there is no doubt but that that meeting will be called, I think there is no possible objection to deferring to your wishes and postponing consideration of it until that time.

The CHAIRMAN—Even if it be developed that the market relations question was not one to be discussed because of the operation of the Federal guarantee, which is the only basis we have in mind that may prevent it, then is not the question you want to discuss with us a local question? Is it one you want to discuss in a general meeting?

Mr. SAGER—I think only those whose constituents will be affected by it could properly ask such a separate conference, but on behalf of those I would ask for such a conference so we might have an opportunity to present it to you.

The CHAIRMAN—Then if there is a general conference on market relations we shall expect you to bring that up as part of Chicago's argument, and if not we do ask you now to remind us and arrange a conference for its special consideration.

Mr. CORNELISON—We would like to be notified, too.

The CHAIRMAN—Under this general heading of terminal problems are there any phases that have not been discussed?

Mr. MOORE (Kansas City)—Regarding the question on public elevators, owing to the fact that I expected to get some definite figures I was unable to make a statement yesterday. I have not yet secured the figures and I simply wish to make a short general statement regarding a certain matter brought up yesterday. Have I that privilege?

The CHAIRMAN—Does it refer to terminal problems?

Mr. MOORE—Yes.

The CHAIRMAN—You may proceed.

Mr. MOORE (Kansas City)—It is briefly this. The statement was made that a Kansas City elevator suffered a heavy loss last year. I take it that means the calendar year, January to December. As a matter of fact, this elevator, while nominally a public house, was really used entirely by two operators. These operators, largely handlers of corn do not handle any wheat to speak of during the first six months of the year, a time when considerable wheat is handled by other dealers. The corn business in our market did not begin until late in 1917 and did not reach its full volume until after the 1st of January, 1918. For this reason it seems to me that a statement that this particular elevator showed a loss during the calendar year was misleading.

As a matter of fact, the other public elevators in our market made a different showing. The Wabash made a different showing and I know the railroads own two houses and have refused to lease them to private operators. I believe that is all I wish to say. I say this merely to correct any erroneous impression the delegates might gather and take away with them regarding the public elevator situation in Kansas City.

The CHAIRMAN—We will add that to the discussion of the terminal elevator problems. I must give any one a chance to reply to that who desires to do so at this time. (No response.)

III. SEABOARD PROBLEMS.

We will now take up Section III, Seaboard Problems. I think the fact is that at the seaboard there is an entirely different class of problems. The elevators there are public warehouses with one or two exceptions. I would like to have some one here speak for the seaboard elevators and tell us whether the public scales charges published by those elevators proved remunerative under this year's operation. Is there any one here who can speak for the seaboard elevators?

Mr. HAYWARD—I do not think that I am in a position to give definite information about them for the reason that the elevators are operated by the railroad traffic lines.

Mr. RICHARDSON—The situation in Philadelphia is this. Our export terminal houses are operated by the two railroads. If they did not make money it is because you would not let shippers there handle the business. I think in the ordinary course of affairs they will make plenty of returns on the charges and the shippers there are satisfied to pay those charges for the service rendered. But last year there were empty terminals, in some

cases of 2,000,000 bushels capacity. They were not erected entirely for storage purposes but they did not have enough wheat to fill them because the railroads would not permit shippers to accumulate grain there.

THE CHAIRMAN—That might have been true at a certain time and in a certain terminal. But one of the reasons why a limit was put on the seaboard elevators for a certain period was they were so badly congested that cars were not being unloaded. Is not that right?

MR. RICHARDSON—I don't think so far as grain is concerned we had a general blockade. It might have been some of those special plants like Hog Island that would jam the tracks with merchandise but not with grain.

THE CHAIRMAN—I will ask Mr. Irwin whether at any time since September 1st Philadelphia elevators have been blocked with grain.

MR. IRWIN—No, I don't think so.

THE CHAIRMAN—How about Baltimore?

MR. JACKSON—No, sir.

THE CHAIRMAN—I can speak for New York. There was a time when the New York elevators were actually blockaded. Is that true, Mr. Day (?) at New York?

MR. DAY—(?) Quite true in the fall.

MR. RICHARDSON—I did not understand Mr. Day to say we were blocked.

THE CHAIRMAN—Not at Philadelphia but at New York the statement is that for a time last fall it was blocked. I ought to explain a little more fully about that New York blockade because I am acquainted with it. That blockade was caused by the quantities of grain held here by neutrals who could not get a license to ship and were preventing the normal activities of the port.

I understand, then, Mr. Richardson, you would like to record a criticism of the 30-day limitation as applied to seaboard elevators on all grains. In that respect the conditions are different from interior elevators.

MR. RICHARDSON—I would like to say in passing that I do not think any seaboard elevators should stand in the way of grain being moved promptly or should block facilities, but there are

times in an exporter's experience when he cannot move his stuff and for reasons you are familiar with. Just now there is only one buyer in town and that buyer designates where to load this grain. If it is possible later, if we raise these crops that we all hope to raise, I think we ought to have more time and if a young man like me hopes to make a living he would have to stay there and work. Some of these rich men that have made millions out of grain might not have to stay there and work, but we have to and we would like an opportunity to make a living if we can. We feel that it is perfectly proper we should want to satisfy all the requirements of the Food Administration but we feel as exporters of grain that we ought to have a little more time and that we are performing a useful service.

The CHAIRMAN—Let me ask you, does the 30-day limitation operate at all at the seaboard elevators in such a way as to prevent your normal conduct of your grain business?

Mr. RICHARDSON—I think that we ought to have more time.

The CHAIRMAN—How much more time?

Mr. RICHARDSON—Well, I would say 60 days. I do not mean that we would expect that in the natural course of business. We would, of course, move grain as fast as we could handle it.

The CHAIRMAN—As a matter of fact, our policy always has been to extend that 30-day period where the operator was showing good faith.

Mr. RICHARDSON—I want to say that at Philadelphia Mr. Irwin has been very nice to us and has never done anything else but try to help us.

The CHAIRMAN—If there is anything in the regulations which in your judgment cripples, limits or hampers the conduct of your export trade I want to draw it out for the record.

Mr. RICHARDSON—The regulation makes a man hesitate in accumulating a large stock because of the uncertainty of getting his stuff away under the fear that he could not ship it within the limitation if he accumulates a large quantity. I think the ordinary man would hesitate about accumulating a large quantity of grain if he feared that something might happen to force him to ship it out within the 30-day limit and he realized that it might be utterly impossible to do so. There is no question but that has a deterrent effect and that it does hamper our trade.

The CHAIRMAN—But don't you feel that the 30-day limitation is a protection against the use of these facilities by neutrals as a means of storage?

Mr. RICHARDSON—I think you should exercise some police powers. I should exercise them on wheat. I should think a longer period of time, however, is only reasonable for a big shipper to expect. In ordinary times a man operating as I do would not want to ship a couple of hundred bushels of grain out of those elevators. It might be on account of not wanting to make his plans known, even though working for Uncle Sam. Do you get my idea? I mean, it is natural for a man not to give up any more information than necessary. He may have thought out something carefully and well, or wisely on the other hand he might be wrong, in which case he might want to carry it for some increase.

The CHAIRMAN—Your point is you might wish to bring the wheat forward and wait for a higher premium and 30 days does not give you a chance to develop such a market?

Mr. RICHARDSON—That is pretty nearly right.

The CHAIRMAN—You have no criticism on the 30 days applied to grain and sold for immediate loading at the seaboard?

Mr. RICHARDSON—None at all.

Mr. PRIDDY—Under Section III, Seaboard Problems, Clause b, Seaboard mixing for higher grades. Very often there is a delay in the shipment of grain at the seaboard because it is necessary to clean and otherwise treat the grain and there are not always the proper facilities for doing it promptly there and in consequence we frequently suffer a loss on demurrage and for similar causes.

I therefore move that it is the sense of this body that those engaged in the export or f. o. b. business be permitted to have this service performed by them in order that the quality of the grain may be improved, if desired.

The CHAIRMAN—Where do you lack such facilities? At what seaboard?

Mr. PRIDDY—It is just the question whether or not this will be permitted. There has been some question whether or not we would be permitted to mix No. 4 wheat with No. 1 and build up the grade to No. 2; or mix No. 4 with other grades and build up the grade to No. 3. It is for the welfare of the country and hurts no one.

The CHAIRMAN—That is only another phase of the whole question of allowing mixing of grades everywhere and that is a matter which we will develop on the new crop, according to our change in operation.

Mr. PRIDDY—Then, with your permission, I will be glad to withdraw your motion until such time as it comes up for proper discussion in considering the handling of the new crop.

The CHAIRMAN—There are facilities for that purpose at the seaboard elevators now. Your objection is not to the rule of the Grain Corporation and that does not prevent your using them now at the seaboard. Elevators are doing it and they do it on coarse grains now, if you want them to.

Mr. PRIDDY—Yes, I understand it is so.

The CHAIRMAN—Have any of the seaboard operators any suggestions on whether the present rules of operation governing seaboard elevators and their scale of rates should be developed?

Mr. BLACKFORD—I have not anything to suggest. We have all the facilities we want. Our elevators have not been full for a very long while.

The CHAIRMAN—And they will do anything for you that you require?

Mr. BLACKFORD—Anything we choose to pay for and they charge a reasonable rate.

Mr. RICHARDSON—I would like to say that we are perfectly satisfied with the method of handling our grain and the charges and facilities and all that, but I would like to state as an exception, that it ought to be brought to the attention of the Food Administration that it would be a very nice thing to have a modern plant on the Reading Railroad. That would be a splendid thing for the Port of Philadelphia (laughter). When I say the facilities are all right I mean they are doing the best they can under the circumstances.

Mr. BLACKFORD—I do not think we have too much storage for our present needs, but they are ample. Of course, we would like to have more storage, and as soon as we can get it.

The CHAIRMAN—I would like to ask the sentiment of Baltimore. Would you like to see seaboard elevators operated by private lessees or grain firms?

Mr. BLACKFORD—No.

The CHAIRMAN—How do you feel at Philadelphia?

Mr. RICHARDSON—No, I prefer to have them as they are as terminals of the railroads.

The CHAIRMAN—How is it at Boston?

Mr. EDDY—As far as running our elevators is concerned, everything there is all right and they are run satisfactorily and the business is open to everybody and is handled the same for everybody and we are in favor of private running of elevators.

Mr. WESTGATE—Our seaboard facilities at Portland are not used at all for grain mixing or renovating and I think it will be the sentiment of our people that this expedient be used. It is less expensive to renovate wheat directly from the car to the cleaner or smutter and we have a considerable quantity of smut wheat which does not gain by any unnecessary or export handling. We get it done less expensively by taking it directly to the smutter or the washer from the car. We are launching two or three ships in the North Pacific and by August that ratio will be increased. You put 100,000 bushels of wheat in a cargo and it has a dominating influence over the whole thing. I believe, sir, if permitted that it would be good business and in the general interest if we were permitted to renovate and clean wheat as our terminal facilities permitted.

The CHAIRMAN—That is, your terminal facilities will do that if the Grain Corporation allow it to be done?

Mr. WESTGATE—Yes.

Mr. GORDON—I might state that the situation in New Orleans with respect to elevator revenues is somewhat out of joint on account of the increased cost of the handling of grain, also due to the increased cost of fire insurance. The present charges established for the handling of grain were fixed prior to the war on a basis of \$1.10 insurance rate and on about one-third of the present price of grain. Our most serious difficulty there at present is not only the increased cost of fire insurance but also inability to secure more than 50 per cent. of our requirement. That will apply both to fire insurance and war risk insurance. If it were possible for a provision to be made there by stock insurance companies or by some other reliable source to meet the requirements of the terminal elevators for both fire and war insurance, we would be able to work to full capacity and the vessels would be handled promptly.

The CHAIRMAN—Your elevators at New Orleans are open with their facilities for any one to use them?

Mr. GORDON—I have charge personally of the central elevators which are operated as railroad terminals and they are open to all shippers.

The CHAIRMAN—Is there any other phase to this problem of seaboard elevators?

Mr. GRAFF—I would ask whether in view of the heavy crop anticipated this year the mixing in seaboard elevators is likely to be resumed by the merchants? I think the shippers are somewhat interested in that phase of the proposition. If we could be informed that will be of value.

The CHAIRMAN—That is a point involved in the operation this coming year and your question could not be answered at present.

Gentlemen, are you satisfied with the discussion of seaboard elevator problems and on the other phases which were brought out? If so let us go to Section 2.

2. *Exporters. (Seaboard Problems.)*

Let us go to Section 2, Exporters. What will the seaboard exporters say about the field? We want to know what he thinks about whether this is a proper field for maintenance and will the coarse grain business maintain seaboard houses without wheat? Is the field as now open sufficient to maintain the seaboard houses?

Mr. BLACKFORD—You know that the seaboard business is to buy grain in the West and sell it f. o. b. Seaboard. At Baltimore we have always had the Illinois, Indiana, Ohio, parts of New York and Pennsylvania as our territory. There are times when we are receivers and exporters. And we sell that on a commission basis and that business is very desirable. As far as the exporting business is concerned I do not see that it will do the exporter any good to accumulate a stock at the seaboard. There is only one buyer and that buyer knows where his own tonnage is and he will be buying it now for June and accumulate his own stock. It is of no use to us, when we do not know where the ship is, to bring 100,000 bushels or 200,000 bushels to the seaboard.

The CHAIRMAN—You still have that field you speak of, bringing grain from back territory?

Mr. BLACKFORD—They come to the port forwarded on special permits from Mr. Jackson.

The CHAIRMAN—You do not have any difficulty in getting those permits, do you?

Mr. BLACKFORD—I do not know much about that. I am not in the business very much but I don't think so.

The CHAIRMAN—Then your business is not limited by the difficulty in securing permits?

Mr. BLACKFORD—All our business is limited by the permit system, but I am not capable of speaking much about that.

The CHAIRMAN—Who from Baltimore does that particular business? Is there any one here?

Mr. BLACKFORD—I do not think there is anybody here in that direct business.

Mr. RICHARDS of Baltimore—Replying to your question about bringing grain to Baltimore from the West. We have in the past experienced difficulty in getting permits because they wanted the wheat to go to the mills. When the wheat moves I do not think we will have any difficulty in getting as much as we want.

The CHAIRMAN—You are talking now about wheat?

Mr. RICHARDS—Yes. As far as coarse grains are concerned we are always able to get permits very promptly.

Mr. WALLINGFORD—We fellows in the Middle West are not exporters. I doubt if any of us are exporters. We are largely f. o. b.'ers. We have handled grain for export but did not this year partly on account of all grain having to be dry. We would like very much to see this wheat f. o. b.'ing business opened up through our section again if it possibly can be arranged. We do not have dryers in our small elevators, like those at the terminal houses, consequently we are almost eliminated from the coarse grain export business.

The CHAIRMAN—There is nothing in the present business that excludes you except you cannot furnish the quality of corn they require for export?

Mr. WALLINGFORD—That is practically the only thing and therefore we would like to see the wheat f. o. b.'ing business opened up.

Mr. RICHARDSON of Philadelphia—We would like to see this field open so that we could, if transportation and terminal facilities permitted, accumulate corn. In Philadelphia we cannot get a permit to ship grain to an export terminal until we have it

sold; in other words, we must go around about way selling it first unless they turn it to us to f. o. b. before we can get a shipping permit and export license. We have frequently had wheat and other grains from Ohio, Michigan and points West and we have a lot of trouble getting permits. Mr. Irwin knows that. We have not tried to accumulate wheat because the shippers would do business directly with Mr. Irwin. But we would like to have the field open so we could accumulate wheat, if your Food Administration and railroad terminals would let us do it.

The CHAIRMAN—These seaboard terminals are in a peculiar position. They are the vital facilities that enable the flow of grain to continue to our Allies for their vital needs, and to allow the accumulation of stocks at seaboard which would block those terminals against that flow of grain, which must go on, is distinctly impossible. If we can relax in any way which will not interfere with the attainment of that vital end we want to try it out.

How much of a factor in straight seaboard houses is the oats business with the Allies as at present conducted by the Grain Corporation? Is it a source of income on which they rely for their maintenance?

Mr. RICHARDSON—I imagine we will get our share, or the portion they dole out. I am sure I don't get what I think I deserve (laughter).

Mr. BLACKFORD—As to the oats business, that is a small market and there is just one buyer and we have to rely on the Chicago quotations. We know what it will cost on the track and what it will cost f. o. b. and we have our own idea of the profit a man should make. Then we go to Chicago and buy on a very small margin. We get a small profit and there in Chicago they generally get that away from us. The result is we handle millions of bushels of that grain and we are very lucky if we come out even. I think that is the experience of every single exporter. Every exporter in the United States except a few have given it up. We in Baltimore have generally given it up and we don't attempt to do it. We all lost money. Unless you are as cheap as any of those people you naturally don't do any business and no one enters the field.

Mr. KING—This question refers altogether to the export business at terminals?

The CHAIRMAN—We are discussing the whole field of the operation of seaboard exporters.

Mr. KING—As far as exporters are concerned, I can only speak about wheat. There has been no delay in the shipment of corn so far as permits are concerned. On coarse grain there has been great delay in getting permits and shipments at terminal markets. We have suffered by that in the interior and in the terminal markets extremely during the past season, of course very largely on account of transportation.

Mr. EDDY—I can endorse what Mr. Blackford said regarding export profits on oats. That is what we have to lean on at the present time for a living. I cannot see myself how it is possible for any exporter who does that business to keep his organization together and continue in business if this war is going to last any length of time, unless we are allowed to handle wheat. The corn business has been disappointing. Only a very small quantity of the corn has been handled this year and that has been distributed around among different exporters, but it has not amounted to anything and, as far as we know, won't amount to a great deal. It seems to me it is vitally important, if the exporters are going to be continued in business so as to be here after the war closes, that we be allowed to handle wheat in some way in order to derive enough revenue to pay our expenses. We don't want to make any money but we don't expect to lose too much and we can't afford to lose too much. And I may say, Mr. Chairman, we don't expect to make any money during this war and we don't want to but we would like to pay expenses and not draw on our principal, because that is not the way anyone is going to continue for a great length of time. I think all exporters are agreed on that and I hope some way will be devised so that we will be allowed to handle the wheat at a small profit.

Mr. PRIDDY—Referring to the question of f. o. b.'ers or exporters, I am not very familiar with the question as a world exporter. But for the past six or seven years in the Southwest, as dealers of the Southwest we have enjoyed a very good f. o. b.'ing business and if the Food Administration could find some possible way which would permit the movement to the Gulf or the movement of wheat not necessarily to the Gulf but to the ports and where those who have been gatherers of wheat from the country and f. o. b.'ers at the various ports engaged in the wheat business to any extent, by perhaps restricting the sales to Governments to which our Government might find it desirable to furnish supplies, it would be a source of revenue to us without any harmful effect anywhere. If that is possible, the

Southwest would be very glad to find an opportunity to move the wheat through the Gulf ports as against the all railroad movement to the Eastern ports, and that might serve to relieve the railroads of a great deal of this long haul business and permit them to utilize a considerable portion of their equipment where it is otherwise much needed. The Gulf ports I do not think this year have been congested by reason of the fact that very little of the wheat moved and we are out of the line of the most of the grain and oats and corn territory. Therefore any accumulation of stock necessary to load cargoes would not mean any hardship or curtail or hinder export facilities in any way. So the facilities to handle the general movement of corn and oats and wheat to Galveston and New Orleans have been comparatively idle because there was nothing there to export and we could use those facilities for any purpose we wanted to.

Mr. RICHARDS—The only way we can buy oats is on the basis of an option and when we get to Chicago it generally gets away from us and we have to work on a skinned profit. They are trying to limit speculative transactions to 200,000 bushels. We think that should be broadened in oats to 500,000 bushels at least and that would give us a very narrow margin.

The CHAIRMAN—Let me develop this, is it true, in spite of your sad experience in the oats business, that you would hate to be deprived of your business?

Mr. RICHARDS—No.

Mr. RICHARDSON of Philadelphia—I will explain this. The same brokers that work for them work for us and we generally get the same message and we get busy to see if we can't beat that competition. That is the whole story. I would like to say as to your future trading, the more you restrict that the harder it is for us to get hedging for the market.

The CHAIRMAN—I will tell you frankly that there is a feeling in Washington that the Army should do this work and it should be concentrated, and if they do it it will be done by the Army in the West and forwarded by the Army. That means that seaboard exporters are going to lose their present field of export business. What I want to draw out is whether that is essential to maintain present seaboard houses?

Mr. HAYWARD—Do you refer to the United States Army only?

The CHAIRMAN—To the Allies, too.

Mr. RICHARDSON—That business is not very good, but it is all we have (laughter).

The CHAIRMAN—In spite of what you might have said, in an illconsidered way in your earlier testimony, you do need the oats business? (Laughter.)

Mr. BLACKFORD—I think we have been getting something out of it since the 1st of January, but prior to that time we lost money.

The CHAIRMAN—I want to say, as it looks now, if we cannot release you from some of the regulations regarding the exportation of grain, if you lose this oats business you see no way of maintaining your houses. Is that true?

Mr. BLACKFORD—Yes, that is absolutely true.

Mr. RICHARDSON—Me too.

The CHAIRMAN—Are there any other phases of this seaboard market proposition that should be discussed and that have not been brought up? It is now quarter of one. Before we start a new subject should we adjourn for lunch and if so how early may we start this afternoon?

Mr. HAYWARD—I suggest that we adjourn until 2:30.

The CHAIRMAN—Let us compromise and adjourn until 2:15 promptly.

Adjourned until 2:15 P. M.

New York, May 1st, 1918.

Conference Resumed.

2:15 P. M.

The CHAIRMAN—Gentlemen, we will start on Section IV, Milling questions as affecting grain handling.

IV. MILLING QUESTIONS AS AFFECTING GRAIN HANDLING.

If this is going to develop much discussion I suggest that we postpone it and go to Section V, because some of the delegates have to leave this afternoon and have made that request. We will start, however, with Section IV.

Mr. HAYWARD—I ask the privilege of speaking slightly out of order.

The CHAIRMAN—You may.

Mr. HAYWARD—The next question affects milling, in which I am interested. That is predicated altogether on the price basis. If there is any change in that basis at all I presume that will be after a conference between the Milling Division and the Grain Corporation. As we see it now, as a milling proposition strictly, there is not much of a definite nature on that subject at present. That does not include the grain end of the milling situation, but merely as the milling situation exists, I think, as a general proposition of grain control, the attitude of the Baltimore Board is that may safely be left in the hands of the Grain Corporation. We realize that certain restrictions are necessary and we believe that you are better able to judge those restrictions than we are and our whole endeavor has been in the past and will be in the future to co-operate with you in any restrictions which you believe necessary. I think what I have said covers all I wish to say excepting to extend the thanks of the Baltimore Chamber of Commerce, and myself, personally, for the privilege of having been in attendance here.

The CHAIRMAN—A good many of the questions that have come up between the grain trade and the milling trade have been, of course, discussed from other angles, but if there are any questions that you think of now in which the grain trade is directly interested, outside of the question of a new procedure which will be discussed in time, I hope by a Committee of the Grain Trade as well as one from the Milling Industry, I would like to have them discuss now.

Mr. KING (of Philadelphia). From the standpoint of the grain trade in the Philadelphia territory the only criticism we have on the milling situation is the basis of buying from the millers. The grain men and the milling men believe that the basis should be on the basis of one per cent. rather than a per cent. per bushel. We realize the importance of the millers being given an opportunity to further their industry, yet at the same time we think this change should be made. It is conceded that one per cent. on wheat is not too much for them to have. It should be restricted, of course, as it is. So I think I express the sentiment of the grain trade in the East when I say that one per cent. should be allowed instead of one cent per bushel.

As to the general operation of the Food Administration, I want to say that I think I express the sentiment of the dealers in Philadelphia when I say that the efforts of Mr. Irwin in handling the wheat situation and of all questions allied with

this control business have been eminently fair and impartial. We have had opportunity to take up our questions with the zone agent and have generally reached a satisfactory conclusion. That obtains not only in the local zone but in the general conduct of the work of the Food Administration in coarse grains and in foodstuffs, in which I am vitally interested. I want to take this time to express our appreciation and the appreciation of the trade in Philadelphia territory for the uniformly courteous and fair treatment which we have received at the hands of Mr. Irwin.

Of course, we realize that control has become necessary. We realize, of course, that it may be necessary to extend it more, but we do hope in the wisdom of handling this matter that it will be looked upon by the authorities of the Food Administration, the Grain Corporation and of the United States Food Administration in such a way that we will be given an opportunity to maintain our standards under a very much restricted business. And as to the question of profit, we hope that sufficient will be meted out to us to enable us to handle the general proposition and maintain our establishments.

The CHAIRMAN—I will promise that that suggestion of yours will be given consideration. There are several phases I want you to appreciate, however, and one is that when the mills go into the country and buy supplies it is fair to assume they have to offer some inducement to the country seller, and if we allow one per cent. it nets them f. o. b. country no more than if the country seller ships it to his customary commission house, therefore he is very likely to ship it to his commission house at his terminal. So that might not be of any effect. However, I will consider that carefully and bring it up in our meeting.

Mr. KING—I hope you will.

Mr. SHERWOOD—Since being in New York the last day or two I have heard a great deal about the mills offering undue competition to country elevators and also to commission men. It happens that in our particular territory where I am located that does not happen to be the case, and I assume that had the attitude of our mills been different in that locality that same condition might have been made to prevail there that has perhaps prevailed in some other territory, all of which would have been perfectly legitimate from our flour miller viewpoint. In other words, had it not been for the attitude taken by the Grain Corporation which was, as I understood it and which we were very happy to comply with, to preserve all lines of business as near as

possible like they had been, the flour mills all over the country, owing to the very short crop, would have been very keen after the supply that was produced since the last harvest time, and to a greater extent than as I am sure existed the flour mills would have been able to have put many more elevators temporarily out of business and many more commission men's business would have been decreased, all very legitimately and through no fault of the Food Administration at all. In other words, we have just been going through a very exceptional crop year when the supply of wheat has been extremely short. The flour mills last fall realized that that was the case. They would have been very keen to have supplied themselves with the requisite quantity of wheat to operate their mills and in their anxiety to operate their mills they would have paid "freight off", as the expression is, without any consideration to the profits due, or that we are pleased to consider as due, to the country elevators and to the commission men. Therefore I am quite sure that generally speaking if there is a country elevator that has found its profits limited on account of the competition of the flour mills, or a commission man whose commissions have been limited on account of the competition of the flour mills, that it is only a condition that would have existed under a short crop condition, with a fair demand for flour, whether we had a war in existence or a Food Administration in existence because the flour mills would have been forced to provide themselves with a supply of wheat and in order to supply themselves with that supply of wheat they would have given an exceedingly keen competition to the country elevators and to the commission men.

I have remarked about a situation in a particular territory where I am operating. It so happens that the flour mills without an exception have bought on the same terms as the country elevators. Our flour millers have gone to the grain elevators and said, we will be very glad to get our supply of wheat from you and pay as much as you would get at the terminals, so our mills where they have bought wheat from the farmers' wagons, and the companies with which I am interested in a line of elevators, have paid exactly on the same basis as the country elevators expected to buy. So the grain interests in that particular locality have not suffered. Therefore I feel I have a right to make the remarks I have in view of the fact they have not suffered. I am not trying to excuse anything that the flour mills in our district have done.

It occurs to me that possibly the flour mills within the next year—and, frankly, I will say I have never been able to understand why they could not have done the same thing this past year, but certainly this next year, should we have the crop harvested we hope for—should be permitted to originate their supply of wheat and to the extent of their ability to sell flour.

There will always be differences between the amount of business to be obtained by the various concerns in the business; in other words, there will always be a difference in the ability of the different business houses to get a volume of business, and I therefore am not particularly favorable to the plan that has been followed this past year in supplying all flour mills alike and have that as a theoretical bull's eye.

I understand in a general way that has not been very successfully accomplished; in other words, I perhaps do not need to make any remarks to this Chairman, concerning the particular point I have in view. But possibly some here do not understand what I am driving at. We started out last fall with the supposition that all flour mills for their own use were going to be furnished with wheat in like proportions, based on their previous three years' average. If I understand the present situation correctly that has not been found entirely feasible and perhaps some mills have been able to obtain and have been permitted to obtain more wheat than their so-called annual allotment has amounted to. Others have been able to obtain an amount equal to just about their annual production. Others have secured much less. In other words, it has not been entirely feasible to serve all mills alike, as was the theoretical bull's eye you had at the beginning of the crop year.

That having proved to be the case it would seem to me that it might be less of a theoretical problem or more practicable if the flour mills were permitted to supply themselves with wheat to the extent of their requirements, which would naturally be to the extent of their ability to secure flour business, providing, of course, that they complied with the Food Administration regulations as to holding and as to price regulations, etc.

MR. VINCENT—Is it in order at this time to discuss the question of allowing commission men at terminal markets to buy wheat on mill orders on a commission basis? I know that that commission charge is to be figured as part of the cost of the wheat to the mill.

THE CHAIRMAN—That was discussed last night.

Mr. VINCENT—It was touched on, yes.

The CHAIRMAN—I do not think, Mr. Vincent, unless there should be a general expression to that effect, I can allow the programme to be diverted to that extent. The whole problem of the method of controlling and supplying mills will have to be worked out, of course, and undoubtedly also will be affected by the prospective supply. There are several angles from which the milling division can handle this problem and I can conceive that before any definite plan is made for the new year that the grain trade will have a chance to express themselves on the effect of any method of milling control this coming year.

Mr. CLARK—I think in this connection the mills in our part of the country have no desire to put the country elevators out of business. If they are necessary to the mills certainly the mills are necessary to the country elevators. Where a mill has elevator stations I think it tries to have those stations make some money. They do not feel that a country station is a very good asset unless it pays its way and earns a little on the capital invested.

The last gentleman who spoke raised some question about the distribution under the Food Administration the last year. As far as I know that was pretty well carried out and the allotment was pretty fairly made. I know I had knowledge of some complaints but when I looked into them I found I had to stop until some of the other mills that had not had their 75 per cent. allotment came up to ours. I presume there were some exceptions. That could not be helped but, as a general thing, I think the allotment as proposed was very well carried out. I have not heard any serious complaint otherwise.

A DELEGATE—You ought to come down Southeast.

Mr. SHERWOOD—I don't want to be misunderstood by any remark that I may have inadvertently made. The companies with which I am connected have been able to obtain corn and wheat in proportion to our annual allotment. When I said it was my general understanding that some mills had not been able to accomplish that I was not speaking from personal experience or of our own experience. While we have not exceeded our allotment, or 90 per cent. of our allotment, there is such an impression among millers. We are about as well fixed as any concern which has kept within its allotment. Neither did I intend myself to be understood that I favored country mills going out and bidding over country elevators, because our policy has been

just what the gentleman recommended as the proper view to take; in other words, if we have a country elevator station we want that station to stand on its own bottom regardless of the milling cost. Believing that we are in the elevator business as well as in the milling business we expect our elevators to make a profit which it is perfectly fair and right they should make. That is the way everything has gone along in our country with the commission men and the country elevator men strictly in the elevator business and no business has any reason to complain of the mills in our particular section of the country.

And it seems to me down in the Southwest, where I understand the mills have felt very keenly the competition of the country elevators that if the country elevators had explained to the mills that they would furnish them with the quantity of wheat those mills were permitted to buy they could have got along pretty nicely down there.

The CHAIRMAN—No doubt they could have done that nicely, but where would the Allies have been in September, October, November and December? That is what worried us.

Mr. WOOLEY—I want to say I am also connected with the milling trade and with our milling business we have seven country stations. This last year there was practically little or no wheat in our district. For that reason we happened to be one of the mills which since the 1st of January have been unable to get their proportion of wheat. We are not complaining, because I suppose the supply has been very scant. I just mention that. It seems to me now, however, with the prospects we have of a large crop that it might be well and good business to at least open the opportunities for allowing the mills to obtain their supplies of wheat themselves and having it shipped directly to them. This, of course, with the fixed price set by the Food Administration. Mills depend on their own facilities and also their friendship in the past with elevators with whom they have dealt. Also it seems to me it would be good policy on the part of the Food Administration not to run the wheat out of the country in the interior but to let it accumulate to a greater extent than in the past; that is, not limit us to a 30 days' supply and let it accumulate a few months until needed in other sections and then we could order our cars. It seems to me that as long as not absolutely needed we ought to be permitted to hold it and accumulate it in the country.

Mr. HUTCHINS—Would it be admissible under this subject to bring up the matter of the war tax that the mills have charged back to them on country shipments?

The CHAIRMAN—I will give you a chance to discuss that later. That is hardly a milling matter. That is a Grain Corporation policy. The mills are doing that by direction of the Grain Corporation. I will be very glad to have you discuss that later today.

Mr. EVANS—Notwithstanding the fact that the millers have had more or less vexation regarding reports and adjusting themselves to new arrangements, I feel that the handling of grain has been done under the circumstances as well as could possibly be expected, and I think with my friend over here that those who have had the oversight of it, as in the case of Mr. Irwin, are entitled to the thanks of the trade for their consideration and the trouble they have been put to.

It seems to me that the administration of the Grain Corporation during this time has been as well as could be expected. We did not get always just what we wanted, but it is all coming out in the wash. I have three questions I would like to ask which are not down in your programme in your sixth section under the heading of New Crop Problems. If agreeable I will ask them now.

The CHAIRMAN—Mr. Evans, they will come up naturally under Section VI. I would like to make some progress before that because there will be a general discussion when that comes up. Can you wait?

Mr. EVANS—Certainly.

The CHAIRMAN—Suppose we pass Section IV with the understanding that we can come back to it if it develops under Section VI in any way so we can approach this coarse grain problem for the benefit of some gentlemen who must leave this afternoon, as I said before.

V. COARSE GRAIN PROBLEMS.

Now, gentlemen, the whole question of coarse grain regulation is before you. Do not be afraid to fire.

Mr. PRIDDY—Under the question of the coarse grain regulations, would that cover the subject of the desirability of a fixed price on any coarse grain as compared with wheat?

The CHAIRMAN—That is perfectly proper but hardly practicable. There is no authority to fix a price on coarse grain.

Mr. PRIDDY—Do you think this body might be influential in bringing about any desired changes that might serve a good purpose, not as an organization but as individuals?

The CHAIRMAN—I do not know just what influence this body might have with Congress. You might try it on Senator Reed. I think it perfectly proper to discuss it.

Mr. PRIDDY—The question that has come up before all of us in endeavoring to make our wheat allotment go as far as possible, especially in the past year—for while the prospects look good for the future we have not yet harvested the crop—is that it appears that in those sections of the country where both corn and wheat are being produced that the growing of corn at prices that prevailed during the past season has been so much more profitable that farmers have been inclined to give a greater consideration to the growing of corn, and the cost of cornmeal as a human food has been relatively so much higher in comparison with flour that the people have found it to be, for economic reasons, far better for them to use flour. So when it looks like a bushel of corn of 56 pounds will sell in the United States for a price materially above a bushel of wheat it has been found advisable and almost necessary in a great many cases where wheat should have been retained as a human food to feed it to livestock. I am sure that has been the case in Oklahoma and in portions of Texas and the Southwest where farmers found it much more economical to feed wheat at \$2 a bushel on the farm than to haul wheat into stations and then haul back corn at \$2.20 or \$2.25 for 56 pounds. So I think the country at large, or at least those with whom I have discussed the matter, feel if the Food Administration or such other agency as might be available find it possible to place a restriction on corn that would keep its selling value something like in line with its relative cost of production with wheat we probably would be able to eat more cornbread and would grow more wheat.

The CHAIRMAN—May I comment a little on that because you bring out a question of policy? March 1st the Department of Agriculture made a special investigation of the amount of wheat fed out of this year's crop and arrived at the conclusion that 13,000,000 bushels have been fed. The export price of these cereals with which we are familiar in our office because they go through our office a good deal at present ranges as to corn-

meal \$8 to \$9 per barrel and as to wheat flour about \$11 per barrel. So the situation you speak of where corn was 20 cents higher than wheat does not exist now.

The other answer is that if the corn return has been so much more favorable than wheat why should we cut off the supply of 65,000,000 to 66,000,000 bushels of wheat and especially in view of the fact that Mr. Hoover says that it goes so high in this country that it now encroaches on the meat crop acreage?

Mr. PRIDDY—A great deal of the United States is not adapted to corn growing that is adapted to wheat growing. While I presume your figures are correct it does appear that a great deal of the country is devoting more attention to corn than conditions at this time will warrant. If in any way the Grain Corporation could find a way to keep the two things closer together it would be something to be desired. There is no question but that corn has been affected by traffic conditions, of course.

The CHAIRMAN—What I want to emphasize is that the present comparative condition is not such, apparently, as to warrant an exceptional effort being made to control the price of corn.

Mr. SAGER—The condition where the acreage of corn is being enlarged at the expense of wheat does not, in the opinion of grain men I have talked with, obtain in the central and northern belts. There and especially in the northern belt, owing to the poor quality of seed corn, the prospect now is, as I gather from such sources of information as I found available, that our acreage of corn in the northern part of the corn belt will be relatively smaller than other grains, and that may correct the situation Mr. Priddy referred to.

Mr. SHORTHILL—In the investigation you referred to, was any attempt made to compare the consumption of wheat for animal feed during the past year with the consumption of wheat for animal food in other years?

The CHAIRMAN—Yes, and they said their investigation convinced them that it had been less than normal this year.

Mr. SHORTHILL—I would like to comment on that because in this room there have been some insinuating suggestions dropped about the poor farmer in this country. I want you to get the idea that in response to the patriotic appeal of the Government this last year that the farmers have fed less wheat to their livestock this year although it cost them more money to feed other things.

The CHAIRMAN—I gather from the sentiment expressed that the 60 days' supply regulation and the 60 days' sale period limitation are acceptable.

Mr. TAPPER—We represent a different angle and a different phase of this situation. For two days I have listened to producers' propositions. We throughout the Northeastern part of these United States are practically consumers. We are at the other end of transportation and it takes a long time under ordinary conditions to get stock from primary markets to our homes. Under ordinary conditions and under normal conditions of transportation the 60 day period would be perfectly satisfactory to New England, but under conditions such as existed during the past five or six months the 60 days' period is not enough to give New England an economical supply of foodstuff. The 60 days' period as put out by the Grain Corporation has been practically made null and void in New England because at the present time primary markets of this country and the dealers in New England are confronted with the situation that stuff that should have been shipped last November and December is not shipped yet. So you can readily see the 60 days' period, so far as we are concerned, is a myth and cannot be lived up to, even under present circumstances.

Mr. MASON—In operating our terminal elevator your 60 days limitation has not been so hard on us when we were not able to hedge because it has kept our elevators comparatively free from coarse grain. That should have been discussed this morning by Mr. Pierce and is very closely connected with the thoughts he expressed this morning. But in another year, if hedging facilities are allowed, I cannot conceive anything gained by the 60 days' limitation, particularly where there is a large crop. If there were a short crop and there were accumulations I can see where a gain might be made, but if we have a large crop I think it will be to the great advantage of the Government, to the dealers and to the trade in general to have that food open not only 60 days but for an indefinite time. It should be longer than 60 days where we have a good crop.

Mr. SMITH—In Texas where we have had 18 months drouth¹ in the western portion of the State and where the heavy cattle feeding is usually and where the great lack of foodstuffs was felt this year the inability of the feeder to protect himself in any manner for a longer period than 60 days has worked great hardship. That has borne very heavily on the cattle feeder who

produces quite an appreciable amount of our beef, Texas having a wide territory for the cattle raising industry.

The CHAIRMAN—As wide as last night? (Laughter).

Mr. SMITH—Yes, we have not shrunk at all since I came to New York. I sent in December a traveling man into South-eastern Missouri, where the best and dryest quality of white corn is grown, and secured as much of that as I could and I used it this year for bread making purposes. I bought what I considered a 60 days' supply of white corn for my trade. I closed out the last bushel of that on the 22nd of February, Washington's Birthday. Since that time I have been unable to get satisfactory corn for bread making purposes from any territory.

The 60 days' period works in the same manner that a rule in business would work in any established business that has to regulate its business every 60 days. I think that any business that stops in its operation and regulates itself every 60 days is hampered very greatly and I think its efficiency is decreased very materially.

I would like to have said this morning, when you were discussing the option question, that in Texas we have no use for July and September corn options, but we do have great use for December and May options, and that need develops early in the fall, so really in October we would like to buy May corn. In January and February in Texas we usually have a period of humidity, warm weather, that rushes the corn into germinating processes and makes it very dangerous to carry it through February and March and we would like to have the fresh shelled corn that comes to the market in March, April and early May. If I had my way about the option business I would make the current six months the trading basis in options and I think in any territory where supplies are needed that a two months' restriction works a great hardship both on the grain dealer and on the consumer as well and I think in the last year it has cut down the meat production in Texas 25 per cent., and that means a whole lot. That means as much as cutting the cotton production 25 per cent. We produce about one-third of the cotton in the United States in Texas, possibly about one-fourth of the world's supply (laughter). As far as my section is concerned, I believe a current 90 day restriction on hedging and a 60 days' limitation on supply work very harmful results.

The CHAIRMAN—I do not want to curtail discussion on this important point at all.

Mr. CARKENER—I think we should have a 90-day period on futures. The cash period is limited to 60 days. The 1st of April we should be permitted to open with July futures and continue them away through the year. The current month is really a closing up month. By the 1st of April you really have only 60 days for future business in June and July. I think if figured that way our future business would work more satisfactorily.

Mr. PIERCE—I would like to call your attention, Mr. Chairman, to one fact. It seems to me that the Food Administration perhaps overlooked this, although no doubt it will develop that they have not overlooked anything. In almost every section of the Food Act is found a specific exemption from the operation of that section. As far as this question of 60 days is concerned, bread stocks are not like stocks of eggs and perishable provisions. As a matter of fact, our office stocks are matters of public record, especially now the way the visible supply has been computed in recent years, taking in all principal points. They are really a matter of public record. You can turn to any trade paper every week and find out how much of each kind of grain there is at any point in the country.

Inasmuch as we have no control over the grain in any way, and inasmuch as under two or three sections at least of the Food Act you have absolute control over anything you can get your hands on, you can do with us as you please through the power given the President and you have absolute control over it. Wherein lies the advantage of not abandoning a policy that tends to crowd back the grain into the hands of those over whom you have no influence and out of whose possession you could get it under certain circumstances only with the greatest difficulty? In fact, in some sections you would have to raise the entire National Army to do it. Why do that instead of letting it come out and become a public stock where you can take possession of it by allowing the holder a reasonable price for his holdings? That power is distinctly given you, if I understand this Act. Now, wherein lies the advantage of this policy which tends to restrict the accumulation of stocks?

The CHAIRMAN—Please elaborate what policy you mean in your judgment that does tend to restrict the accumulation.

Mr. PIERCE—I mean this 60 days' clause in connection with the restrictive attitude toward speculation. Speculation is the risk in your ownership of any commodity, as far as a possible

change in value of it is concerned, while it is in your hands. That is what speculation is. The Food Administration has coined a new word for it, "profiteering." I imagine the man in the Food Administration had in mind as a profiteer is one who attempts to secure an unreasonable and unfair speculative profit.

The people want to buy soft corn and at a price that insures themselves against loss, even if a considerable portion goes out of their hands. If it does not go out of their hands and the price goes up then they will make a large profit. If they make a mistake and it does go out of condition or the demand ceases, then they make an equally large loss. I cannot conceive how the grain trade can be conducted on any other basis than a trade basis. It is a trading business. The element of trade permeates it. In fact, that is all there is to the grain business. It is a trading proposition, excepting in so far as the work of accumulating and distributing is concerned. But trading cannot be eliminated if the business is to be conducted by people who have to assume the responsibility of ownership.

As far as food control is concerned, the only food control that is really effective and valuable is such control as was exercised by the Food Administration over wheat. There the Government steps in and substitutes itself for the machinery of the grain trade and assumes all the risks that ordinarily are assumed by the grain trade. It has its own machinery and it is responsible. It accepts the entire risk and the distribution of the machinery is perfect from start to finish.

When you start in trying to indefinitely control any business—this applies more to the grain trade than any other line of business but it is more or less applicable to all business—it is like going up to a perfect machine and because you think there is some wheel that the machine would be better off without you take a wrench and break it. That machine won't run. The effect of that breakage may go farther than any one can possibly calculate. So when it comes to a question of partial interference it is something that has to be considered very carefully because there is nothing artificial in the ordinary affairs of business. If you have something artificial you have to put something else artificial in to meet that change in business—otherwise your machinery becomes ineffective.

We, none of us, in our hearts want to profiteer at this time. I think the grain trade has shown that it is patriotic. Mr. Hoover very nicely gave us credit for the patriotism that we

exhibited that has cost us money. He gave us credit for that yesterday. I think we ought to consider this carefully because we ask this more liberal treatment without any ulterior motive but only with the idea in mind of devising the best method of conducting our business. I therefore hope these suggestions will be considered in the real spirit in which they are offered, and that is really with the desire to correct those features which during the 12 months past have been shown to have been ineffective in what we attempted to bring about, and see if we cannot restore the business to the natural condition where it can fulfill its functions and with a profit.

The CHAIRMAN—I quite agree with Mr. Pierce that when one artificial interference with trade is made it inevitably leads to the next one and with all the best intentions in the world to stop it is like a row of blocks. The artificial interferences with trade were because with the war and transport conditions and difficulties the demand for foodstuffs and coarse grains, which customarily seek the open markets of the world, was concentrated on America. That necessitated our first artificial interference with trade in its natural demand and supply. It was to offset that artificial interference that regulations became necessary.

For instance, I remember Mr. Hoover saying that our Allies abroad required for the supplying of their needs approximately 6,000,000 tons of shipping of which 2,750,000 tons—about half of it—was on voyages to other sources of supply than North America. If we can divert that tonnage to North America and thereby enjoy the benefit in time of the shorter trip we allow the more frequent use of the vessels as a shuttle and we can save 15,000,000 tons a year by that method. That is about three tons to a man and that means 500,000 troops that can be sent to France and maintained there, and as a consequence every ton of that vessel tonnage should be concentrated to North America and we concentrated all North America and artificially stimulated a demand that must be satisfied. If we allow in North America the usual way of profit seeking, then we have stimulated the very hoarding desire which makes a supply under natural conditions impossible. Therefore to make that flow of material seek the market to supply this tonnage diverted here we put on the 60 days' storage limitation. I leave it to your judgment which was the first artificial interference with the customary commercial machinery, and whether we are doing right in

modifying it after that first artificial interference (great applause).

Mr. SMITH—We have regulations taking the place of the supply period. Would it not be better to control the movement of every car of grain than to restrict the concentration of it for a definite period.

The CHAIRMAN—What do you think?

Mr. SMITH—I think that would be better. I have not attempted to move a car of wheat without an order from the zone agent of the Food Administration. I have attempted to work hard to get it moved from the country to the storage elevator where it was available to the Food Administration. I believe it would be better for the Administration to have the stuff concentrated in the elevators and requisitioned from the elevators than to restrict the activities of the terminals and the storage elevators in acquiring stock.

The CHAIRMAN—I leave it to each one of you to follow out that suggestion and determine whether it appeals to you as a practical method or whether you would like to run the chance of the interference of an unforeseen regulation—whether you would not prefer to adapt your business to the 60 days' storage provision and seek your own market and your own method of movement.

Mr. PIERCE—The supposition is that the regulations for grain of any kind from the Administration for the needful purposes of the war would be likely to be reasonable. There is no law saying that the taking over of grain will be without allowing a reasonable market value for the commodity. What objection would anybody have, the speculator or anybody else, to accepting a reasonable value for his commodity? I understand what is in your mind and you perhaps think that additional regulations might restrain even more than the 60 days' limitation. You may be right about that. But I do not really think so because I am inclined to think, judging from the action of the Food Administration in other matters, that a reasonable compensation at a proper price would be allowed and they would not want to step in and take everything in sight.

Furthermore, under the act you have control of grain sections under that section. Under Section 13 you have it over grain. I do not think the trade is going to object to any reason-

able control over the holdings of grain, but grain can be concealed as some kinds of products can be concealed in cold storage, where you have to send a secret service man to find it. But you can find where the grain is and you can go and get it. I don't think you would have to requisition a single bushel. I think you could get out any quantity of stocks at any time at any reasonable price. I don't think this question of requisitioning comes in. We don't believe the Food Administration is going to treat us otherwise than fairly. It is just a question of keeping the grain where you cannot requisition it, and at a reasonable price, without a great deal of trouble.

Mr. SMITH—You would not object to it all being requisitioned, if necessary to end the war.

Mr. PIERCE—Not in the slightest, nor do I think anybody else would.

The CHAIRMAN—Then what effect would an extension of the regulations have upon the operator at the elevator in accumulating his stock making his contract for domestic shipments with the fear of interference that would cancel those contracts?

Mr. PIERCE—I do not think he would get excited over that. If I have grain in my elevator and I sell to New England for shipment from May to October, that belongs to the people who bought it from me in May. If you come to me and I have on hand a half a million bushels or two million bushels of yellow corn that you want to ship abroad, I can say, that is not my corn. I can turn to my books and show you every bushel of that and tell you where you can requisition it. You see the grain; there it is. You can turn the paper and find out where it is and I will tell you the name of the owner and so will every other grain man, and the owners of the grain won't object to your taking the last bushel of it if it is for the purpose of winning the war.

Mr. SMITH—You can anticipate your wants, too. You can foreshadow your requisitions.

The CHAIRMAN—There are some angles of that I hardly think you have fairly considered. Where there are 50 or 200 Eastern buyers with grain bought below the market and the grain requisitioned at the terminals, and who are governed by their contracts of sale, how are you going to convince them that is necessary to end the war? Sometimes they are hard to argue with.

Mr. PIERCE—You simply have to pay a reasonable price for the corn. We could not arbitrarily turn around and cancel the contract.

The CHAIRMAN—No, but immediately in the replacement of those contracts there would be an effect upon the market which would result in a higher market for those replacements. Almost without exception that would be the result.

Mr. PIERCE—Granted that that would be the effect. We want a reasonable price but first of all we want corn. It is much more important to us that we have corn to make into meal and, if you please, that would be the same with coal to keep us warm in the winter time, than it is whether we pay five or seven cents a pound for meal or whether we pay for hard coal \$8 or \$15 a ton. We want the corn or the coal. As a matter of fact, we have to have it and pay the price, if there is any possible way of getting it. That is the experience we have had for the last 12 months. We do not accumulate these stocks. We are not allowed to encourage shipments from farmers by bidding up prices with the expectation of selling at a reasonable price. What is the result? This is theoretical. We can go back over a period of 12 months and see what happened. It is not like arguing as to what may happen during the next 12 months. Here is what has been the experience.

Mr. McLEMORE—Are you going to apply the same rule to the 60 days' limitation on coarse grain that you have applied in the case of wheat and corn millers? That is to say, if you are going to apply the 60 days' limitation which has reference to the corn which the owner has accumulated over and above his sales for 30 or 60 days, if you will apply the same rule that you have applied in the case of the owners of mills who grind corn into meal, which permits them to accumulate a 60 days' supply in excess of 60 days' sales, then you have a period of 120 days' accumulation which would be sufficient for any practical purposes, where a man does not want to speculate.

The CHAIRMAN—Yes, that is right.

Mr. RICHARDSON—Taking your view of it. Say the grain is in Chicago in the possession of Mr. Pierce. I do not think I would let them be so kind to me as to tell me that my grain was requisitioned if it was for June or July shipment. I think I would let him finish my contract. I think I would let the Government requisition the grain in Mr. Pierce's hands and not in mine.

Mr. SMITH—The Eastern gentlemen have no more right to keep grain six months in Chicago than we have in our elevators at home. If we cannot carry grain for more than two months, or if they cannot carry more than a two months' supply in the Eastern market, they cannot carry more in Chicago.

The CHAIRMAN—But you are arguing taking off the 60 days' limitation and buying for six months, let us say.

Mr. SMITH—And if you need it in war times you may take it over.

The CHAIRMAN—The question is, what operates to win the war?

Mr. SMITH—I know—But you take our sons on 15 minutes' notice and send them to the front to be shot at, and I think you can just as safely and righteously take our corn.

The CHAIRMAN—I wish the question was always as clear cut as to say, this will win the war and this won't. The trouble is, it is not as clear as that.

Mr. SMITH—Food will win the war.

The CHAIRMAN—We are going to get the food to win the war, all right, but at as little distress as possible. Now we want your suggestions.

Mr. LINDERHOLM—During the last two weeks we could sell July corn and keep that corn until the 31st day of July before we had to deliver it. Why should there be any further limitations beyond the time limit in the corn you handle? Personally I dislike very much any regulation whatever. I presume it is necessary and we have all found that the wheat proposition was doubly so.

Out in Omaha every one seemed to be satisfied with the wheat game and I want to commend Mr. Neal for the able way in which he has handled the wheat business in Omaha during this past winter.

Mr. MULLEN—I would like to have your views regarding a matter in which our company and our people out through the West are very much interested. In Idaho and in Utah, but more particularly in Idaho, they raise large crops—10,000 or 15,000 or 20,000 bushels. After harvesting they immediately begin preparing the ground for the next crop. They go into it heavily, opening up new land as the railroads go out with their different branches, and they need money badly. Many of the crops are

mortgaged in advance for groceries and different supplies. You can readily see the great difficulty those people have when the fall of the year comes on if the elevator is only allowed to hold a 30 days' or a 60 days' supply. They will fill them up in a week and then, owing to the scarcity of cars they find themselves unable to take in any more wheat. How would you relieve the necessities of the farmers in a case like that? If you had that wheat in Chicago or Kansas City you could hedge it, but the farmer that has it in his bin and needs his money and the elevator that is doing its best to help him and perhaps handling his grain without a profit in order that he may be assisted in opening up ground and putting in a crop again for the coming season, ought to be protected.

This is a wonderful country, the United States of America. We have such a diversity of conditions that you must very carefully consider the different localities throughout our country. As you all realize, it is well worth living in, a country like this. I heard the gentleman away down in Boston. His condition is somewhat similar to the position of the men in the extreme West. If it pleases you, sir, I may say to you that I have supplied flour up in the mountains where they are mining out the precious metals and it is absolutely necessary to put the flour in there in the early fall. Many of those mines are operating above the timber line and are so high that the timber no longer grows at that altitude. Many of those prospectors go into the mines and stay there two or three months and don't come out. They have to have more than a 60 days' supply. It is a very difficult problem and I think we ought to be assisted in meeting it in some way.

The CHAIRMAN—Just a moment, Mr. Mullen. You are talking not on the 60 days' limitation as applied to coarse grains.

Mr. MULLEN—Yes, talking of wheat as well as coarse grains.

The CHAIRMAN—We have finished the wheat programme and I must stick to this programme to get through. In a situation such as that you outline the difficulty is offset by the fact that the zone agent there representing the Administration has ample authority to grant an exception when considered necessary because of unusual conditions.

Mr. MULLEN—I have stood in the office of the Food Administrator in Denver when a condition arose wherein the farmer hauled his wheat in and the elevator could not take it and he had to put it upon the ground and in my presence they talked

with me about it. So I bring this before you. Of course, I am not questioning what you say.

The CHAIRMAN—I am speaking of communities you mention which need to have more than 60 days' time, which is prohibited, but the State Administration may grant an exception.

Mr. MULLEN—Is that true of wheat?

The CHAIRMAN—The wheat regulations are made by the Grain Corporation and must be observed, with the exception they may grant modifications where conditions warrant it. Any such conditions you must take up with the Corporation, but just now we are speaking of the 60 days' limitation on coarse grain.

Mr. McMILLAN—It seems to me the 60 days' clause has tended to stop the movement of grain. A very free movement is always sacrificed by a lower price and especially so in the case of such grains as cannot be hedged. In that case the farmer is the only one lawfully entitled to hold it. It must any way tend to keep the grain on the farm because there is no one who has authority to buy without conflicting with the Food Administration rules. It seems to me advisable to keep grain moving as rapidly as possible from the farm for the reason that the farmers' markets are more or less seasonable. There are certain times when he has men and means available for hauling and if the grain does not come out at that time or market conditions are so unfavorable that he will not sell then the grain won't come out until long after and at a still more unfavorable period. For example, during the winter time, because of weather conditions, it is frequently impossible for him to haul grain. Then when the springtime comes on he has his spring work to do. I believe it is advisable to keep the market as broad as possible so as to encourage the farmer to move his grain to the market at the proper time, and therefore the 60 days' requirement certainly tends to narrow the market to a very considerable degree.

The CHAIRMAN—Is it your opinion that because the country buyer perceives this 60 days' limitation and its consequences that he is a little less inclined to trade in these coarse grains that have no future?

Mr. McMILLAN—It has that tendency. I think you notice it more particularly in barley and rye because their fluctuations are so very wide. Whenever the price declines to any great extent the farmers' deliveries stop almost automatically.

Mr. WELLS—I believe that the country shippers feel that the 60 days' limitation is too short. They generally express themselves that way. In discussing the matter with them they seem to have very vague reasons for it but, nevertheless, it is a general sentiment and I believe it will affect their acreage and will have some effect upon the movement of grain through the country elevators.

Mr. SHORTHILL—We have repeated experiences so far back as a year ago of many country dealers who would not attempt—and they were the very best class of dealers—to make any sale for a shorter period than 90 days on account of the uncertainty of the car supply.

Mr. PRICE—I have not shipped anything this winter but what has been offered when a car was in sight. We could not make a sale ahead. It was impossible absolutely.

The CHAIRMAN—It probably occurs to you all that I see nothing conflicting in what Mr. Shorthill just said as to the 60 days' clause or as conflicting with the rule. A man may sell under the 60 days' rule with a provision for an extension if it is impossible to get the cars. He can frame his terms so as to protect himself.

Mr. SHORTHILL—Yes, but on a readjustment of the contract he would be more handicapped than if he were to take a chance.

The CHAIRMAN—But he can make that stipulation in his contract.

Mr. SHORTHILL—It depends on whether the other man agrees to it.

Mr. PRICE—But the man who buys the feed wants it in the meantime. As to oats and soft corn. That must be sent out in less than 60 days. I hate to bind myself to do something that I don't know I can do.

The CHAIRMAN—That is the reason we don't want you to trade 90 days ahead or 120 days ahead (laughter).

Mr. PRICE—That is very true.

Mr. MULLEN—Well, I would not care so much for an indefinite contract as I would for a definite and specified time contract. I think Mr. Shorthill's point is well taken because country dealers can get more on a specified contract than they can by making one that is indefinite.

Mr. SHORTHILL—I wish to say that the country dealer does not dictate the terms of those contracts.

The CHAIRMAN—Gentlemen, cannot we agree whether we think it a wise policy to keep the corn moving, or whether we differ on that as a policy? If we agree that it is a wise thing in view of the allied needs to stimulate the movement so no grain backs up and is held back in the country, then can we discuss this 60 days' limitation from a different viewpoint?

Mr. PIERCE—As far as coarse grain is concerned, we have not yet been faced with any scarcity whatever. We must have a tremendous surplus in the country, a very considerable surplus of corn. As long as it is more than we can eat ourselves and more than we can get out of the country, where is the usefulness in a method of operation that does not allow the freest possible distribution, as in normal times? Now I just ask, where is it?

I am frank to say I think the restriction is unnecessary. It is not fair in discussing this to take in the question of transportation, because that is a case of unnatural conditions. People have paid most outrageous prices for cars that carry the grain, prices that this country has never seen before. Mr. Sager pointed out there were 41 cars that we paid anywhere from \$100 to \$1,000 apiece for and they could make the value of those cars in about three trips, to Washington. People have been paying for transportation most outrageous prices. That is artificial to a large extent but, fortunately, the Government through its taking over of the railroads has secured united operation and I think we have every reason to hope next winter to see a reversion to those unfortunate conditions. Besides that they are building cars as rapidly as possible.

But I think if we can keep the grain moving that these restrictions are not going to have any beneficial effect.

And I will repeat this much. Looking back over a period of the last 12 months I must say that I really believe that some restrictions have had exactly the contrary effect to what was intended when you put them on.

The CHAIRMAN—The point seems to be that we all admit this country has a surplus of coarse grains. And we admit, at present at least, that this surplus is on the farms. If we also say we could have used a larger volume of coarse grains, which I am not sure of, at least for our export needs, then the point is whether our regulations have retarded that movement from the farms. If it was due to lack of railroad transportation that

must be considered on its own bottom. If any of our regulations, however, have so reduced the initiative of country dealers or for any other reason have hampered the flow of this surplus to the markets from the farms, that is the viewpoint we want. Some of that may be more or less theory but theories can be perfected by the experience and expressions of practical men in the trade. That is why I want you to speak freely on this subject, as Mr. Pierce has.

Mr. PIERCE—I think we can trace most of our troubles to insufficient transportation, but there is a considerable amount of difficulty to overcome caused by other reasons. Transportation, however, is the controlling factor in the movement, but a greater controlling factor is the price, bad as transportation may be. We have not had at any time within the last 18 months anything but a short car supply, although in August last year the transportation was apparently easy and yet in the month of August, the month of all months when railroad transportation is easiest and cars were available and we needed them particularly to move any large volume of grain, the receipts in one month were 20,000,000 bushels less than the preceding year. Yet when we got the prices up where they were really attractive to the farmers, beginning in November and carrying it into December, remembering that during last winter we had the biggest fall of snow we ever experienced, the receipts began to exceed those of last year. Therefore it seems to me beyond question that notwithstanding the transportation problem I believe the price is even a greater compelling factor, and when the price of wheat was away above where it should have gone at that time there were about 11,000 cars in the Northwestern States to move about 22,000,000 bushels of wheat.

Mr. SHORTHILL—This is deep water for me. I am simply making a suggestion. Speaking for country dealers, who assume ownership from the time they make the contracts with the farmers until the grain is unloaded in the terminal elevators, from our section of the country a great deal of grain is consigned. A farmer may come in and contract his grain and be two weeks making the delivery. A farmer may sell 5,000 bushels of corn and will get it into the elevator and the country dealer will order the cars and then it is in transit and finally gets to the terminal market. We have had delays in delivering from the terminal elevator to the terminal market as high as 30 days after inspection.

The country dealer has the ownership of that grain all that time under the present system of future trading and the 60-day limitation clause, and therefore the idea occurs to the country shipper that there is going to be a liquidation every month. You are bringing about a situation that will make every month a future trading month. The country dealer is wondering what will happen at the end of each one of those months. The country dealer's business is necessarily spread out over a material period of time. This is not confined merely to the stock of grain in his elevator, but it covers the grain that the farmer is in process of delivering. It includes the corn in his elevator, the corn in transportation and the corn that is being delivered for inspection to the terminal elevator. And it is a question whether the country dealer is going to have a clear spell of wheather all through that process. That is another very disquieting factor.

MR. PERRINE—There is one point where the 60 days' clause has affected the sale of oats. For instance, at Chicago. This last season I think the largest percentage of shipments that have been consigned were on bids to arrive. But the experience of the country dealer by making his sales 30 or 60 days ahead to enable him to make his shipments, on account of the scarcity of cars and arranging for inspection at Chicago, has in most cases been so undesirable that they stopped selling.

I want to mention one contract in connection with that, or, rather, one item. One of the cereal companies in the West gave the country dealer an order for oats to be shipped whenever he could get a car, and I understand that company has had little difficulty in buying all the oats it desires, simply because there was no limit to the time of shipment. I know that at Chicago the purchase of oats has been a great deal smaller than ordinarily considering that the bids to arrive were so attractive because they would eliminate any fluctuation in the price, but the country dealer refused to do it from his experience and the fact that transportation enters into that very largely.

MR. RILEY—As the representative of the Indiana shippers, it is my opinion that the question of transportation has been to a very great extent responsible for the grain now being in the hands of the farmer. Of course, if the time limit had been greater perhaps a little greater percentage of the corn and oats might have been taken into the elevators. But there was a plan in Indiana when corn was found to be in that condition to discourage the sale for future delivery of grain until the

transportation was secured or there was a reasonable assurance of it and until you had definite understanding as to what kind of grain you were going to have. That has been under way some time. Hence the question of the length of time has not been entirely controlling, although it might have had some influence. But transportation has principally been the whole problem.

We have had in that State 75 per cent. of all the grain that moves into the market moved on consignment. Particularly is that true of coarse grains, or at least of 75 per cent of it, because we were afraid to make the contracts. So there might be some relief to the farmers if the time limit was raised to some extent, but it would not afford any great amount of relief.

Mr. MITCHELL—I want to endorse what Mr. Price said regarding the 60 days' clause.

Mr. PRIDDY—Will this be continued tomorrow?

The CHAIRMAN—No, I am hopeful we will close this meeting at least at seven o'clock this evening.

Mr. PRIDDY—Then may I ask that we pass to Section VI, New Crop Problems, Wheat? If you will do this it will oblige me, and I will move that no delegate speak to the subject longer than five minutes. (The motion was seconded.)

The reason I ask that is another important engagement will call me out of town and I am anxious to talk on the new crop problem.

The CHAIRMAN—I think if every one will talk to the point we will be able to get to that.

Mr. PRIDDY—Will the Chairman hold them right down and let us go on?

The CHAIRMAN—Very well.

Mr. MARCY—I would like to state that what Mr. Mitchell and Mr. Pierce said I approve of. I think they covered the situation fully. I think their ideas really cover a whole lot of the causes of the trouble we have had.

The CHAIRMAN—Have you all expressed yourselves on this 60 days' supply clause and on the 60 days' sale limitation? If so we will pass on to Item No. 2.

2. *Allied buying confined to f. o. b. seaboard.*

I think in that connection up to last October the Allied agencies had gradually grown into the habit of buying in the West at any point of origin for shipment f. o. b. seaboard and doing their own f. o. b.'ing. That method deprived certain sections of the trade of seaboard f. o. b.'ing and exportation of any field and also that created a trade connection between the American interior dealer and a foreign agency which might be continued after the war. So after conference with certain seaboard houses, I think including them all, it was agreed that the Allies should buy only f. o. b. seaboard and any one could sell f. o. b. seaboard who proposed to buy the grain f. o. b. seaboard.

Mr. DORSEY—I do not think that is subject to any comments. I think we all will say, well done, thou good and faithful servant. I think that would cover the whole thing.

Mr. PRIDY—In order that you may be given a picture quickly as to what is wanted on that subject, I move that all those in favor that the Allies or other foreign buyers be confined to f. o. b. purchases held up their hands. We will probably get a picture of it in a minute and pass on. (The motion was seconded.)

The CHAIRMAN—Is there any discussion, gentlemen? (Many Voices, question, question, question.) Those who approve that policy will please hold up their hands. It apparently is unanimously approved. We will pass to the next subject.

3. *Neutral Buying if Allowed (Coarse Grain Problems).*

This question of neutral buying more or less dovetails into new crop problems. I presume the trade would like to enter the market as always. That is the way we feel about it, unless there is some reason why the Government should do it. We do not propose to do it, although we may have to for other reasons. In the event of neutral buying taking place it becomes possible to allow individuals to enter our markets and we conceive it is the trade preference that that buying be done with private firms, if it can be done without violating any public rights. Am I right?

Mr. DORSEY—Yes.

The CHAIRMAN—Then I say that the policy of the Grain Corporation will be not to enter into that unless there were some special need for it that would try to promote the field in f. o. b.'ing sales in some other way.

Railroads (Coarse Grain Problems).

a. Aid in Car Supply.

The Grain Corporation has made a real effort to get cars placed at the various sections in the country where they were needed and the question is, shall the Grain Corporation attempt to make that system an effective system or not?

Mr. DORSEY—That was very valuable in our country.

Mr. SHORTHILL—I may say that our experience has not been very satisfactory, probably due to the fact that the agent at the various stations did not care to co-operate with the Grain Corporation. When we asked the agents if cars that were there came from the Grain Corporation for our use, they, of course, said no.

Mr. WELLS—Our experience regarding the car situation during the past season is that so many people were taking hands in the car supply proposition that the country shipper was simply up in the air. I think it detracted very much from the effectiveness of the zone agents in this work. The country shipper felt no closer to the zone agent than to some one else taking a hand in the work. It does seem to me that some of the sources of this work should be cut out so the country shipper will know definitely who is doing it.

The CHAIRMAN—What do you recommend, Mr. Wells?

Mr. WELLS—There has been a good deal of discrimination in the distribution of cars. For example, there were telegrams sent out. I received telegrams asking for a list of shippers who had corn to ship. It was impossible for any man to sit down at a moment's notice and telegraph and state how much corn he had to ship and do justice to all shippers. I know stations receiving several cars and I certainly know of one station receiving several, and the next station receiving none simply because one station would be represented and the other would not. It seems to me we ought to stick to the old system of car distribution and do it through the railroads in order to make it equitable. That is one thing.

This form of special application and distribution has resulted in discrimination and I think it is bad.

The CHAIRMAN—Let me get that clear. Is there a feeling that the corporation should not enter into that field at all?

Mr. WELLS—No, I am not prepared to say that.

Mr. DORSEY—On the other hand, I think so far as the handling of grain is concerned it ought to be left entirely with the Grain Corporation and its agents. They know the needs of the trade and can be apprised more easily of the wants in a trade line. I say now I believe it will meet with the approval of all grain people to have that matter handled entirely by or through the Grain Corporation. I think that is the only effective way.

The CHAIRMAN—Do you mean to have it get cars in the country or from terminals? Do you feel there is a field we should develop, from past experience?

Mr. DORSEY—I think that is absolutely true. I think that is the only source really on which we can depend for that assistance, because the Corporation knows the needs and understands the needs of the trade better than any other branch of the Corporation can possibly know them.

Mr. PRICE—When those reports came out instead of being semi-weekly they were nightly. I made out a long list of cars required and sent that to the agent as requested, and sent notices to the agent at Chicago, but I never got a car. I reported for a month but I never got a car from that source and have not yet.

The CHAIRMAN—The fault is with what agent, the railroad agent?

Mr. PRICE—The fault is with the agent and I sent a copy to our zone agent in Chicago.

The CHAIRMAN—You filed the order with the railroad agent as required?

Mr. PRICE—Yes.

The CHAIRMAN—And you sent a copy to our zone agent at Chicago?

Mr. PRICE—Yes. I filled it out at night and I regularly reported, but we did not get a car. We did get a few cars but not for that reason. I stole three cars from the Big 4 consigned for railroad ties. I loaded them and sent them away, but they did not come from the Government. We didn't get anything from the Corporation. We want relief from anybody that can give us relief.

I would like to tell you that the distributor of the C. & A. Railroad laughed at it. He said, do you suppose we will allow the Government to upset our business and send cars here and

there and yonder when we can send them loaded? There were people, and I heard them, who came in and said they could not get any service from the zone. If we were close to the office where we could impress on their minds these things I suppose we might get some service. I found that the further away we were from Milwaukee or Chicago the less likely we were to get any relief. I guess we are too far away. I went to Mr. Jackson's office and asked to see the gentleman who distributed the cars, but that did not seem to do me any good.

The CHAIRMAN—Mr. Gallagher, stand up. (Mr. Gallagher stands up.) The next time, Mr. Price, you have trouble go to Mr. Jackson's office at Chicago and ask for Mr. Gallagher and see what response you get.

Mr. PRICE—I will write his name down.

Mr. TAPPER—There was a period down there in which every railroad was blocked at every terminal point. Freight passing through was congested and there was absolutely nothing there, neither food nor feed for livestock. It then became necessary to take drastic steps and we applied to the Food Administration and there was some action taken. We got enough stuff to keep us going. Since that time there has been work done in tracing cars, more than had been done for a long time, and we managed to keep things moving.

I want to say in this connection that I believe there is a definite field there that should be developed. We are a large feeding community. We buy nearly all our things, our food and feed supplies in the West. We raise very little. We are a consuming part of the country.

Now about the permit system if you will permit me to speak on that now. I am going to take a train in a few minutes. On the permit system I believe under certain conditions it is absolutely necessary at times, but in order to be absolutely of use it should be applied to all points, not as it has been applied in the past to one or two or three other cities or terminal points which may be discriminated in favor of, so that Ohio and Indiana and one or two other places were able to move their stuff. That has resulted in a situation something like that where we are paying as high as \$1.10 for oats and \$2.15 a bushel for corn at those primary points which were embargoed but working under the permit system they were paying somewhere between 85 and 90 cents for oats and \$1.30 for corn. That is one reason why we have seen high prices for food and feed, especially in the New

England territory. If the permit system is to be continued, it should be continued taking in everything.

The CHAIRMAN—That is, your objection is to the embargo, the prevention of shipments?

Mr. TAPPER—Yes.

The CHAIRMAN—The permit system was an attempt to relieve that.

Mr. TAPPER—An attempt only. Stuff that was permitted a month ago is yet in the elevators in Chicago.

The CHAIRMAN—The permit system does not create cars.

Mr. ECKHARDT—I will say that the usual method on the Western roads is for the shipper and the country station man to make applications to the agent and then the agent makes his application to the division superintendent and so on. Usually those efforts are effective. When they are not effective the effort is continued on to the Transportation Department. Unless the situation is serious, as it has been the last year and a half, the Transportation Department usually can accomplish all that is necessary. The trouble last winter and a year ago that we had was probably more due to bad weather than anything else.

Our experience is by direct contact with the country shippers who have sent in requests to the zone agents from time to time that it was a misleading effort on their part. They supposed when the Administration took over things they would get cars promptly. They waited and they waited and did not get the cars. It seems to me the more effective efforts were made through the Transportation Office of the railroad than through the original agent.

Mr. ASHTON(?)—There was one time when the delay was very serious and specific effort was made through the Hoover Administration at Washington and there was a very substantial relief. That resulted in the volume of cars going to the West that moved the corn during February and March.

The CHAIRMAN—I want to say that the compilation of these semi-weekly requisitions resulted in the shippers at the various stations stating the number of cars a day they wanted to ship and the number of cars they had and the total record showed the situation throughout the country. At one time I recall Illinois requested a total of 12,000 cars out of 45,000, the total needed in the West and these compilations could not be disputed and it con-

vinced the Administration that they needed to supply Illinois particularly and they did at that time, adopting a policy of putting into Illinois cars that reached Chicago from the East, because that convinced them. If it did nothing else that was justification for the compilation. If we had said in a general way there are lots of cars needed in Illinois they would have answered yes, and there are lots of cars needed in Indiana and elsewhere. It was that compilation that convinced them.

Mr. HALL—In our zone we found a great relief. We would take up our request with Mr. Flesch and we almost invariably got immediate action and cars were put in within 24 hours or 48 hours. It did a great deal of good there. There was some duplication of efforts, caused I suppose by the desire to get the scheme working in a shape which could not be done in a moment, but we did get quite a good deal of relief in the country and also in St. Louis. We were interfered with sometimes by some railroad order but the Food Administration would nearly always give us relief.

Mr. BENSON—In Minneapolis we were asked by the zone agent to file orders with the zone agent and any point where they needed cars, especially where priority orders existed for wheat, we know of a great many instances where we had requests from our shippers and we immediately filed those orders and got immediate relief. I would say that in my opinion it would be unfortunate to abandon that procedure. We got wonderful results. We did not, of course, begin to get the cars we needed. They did not get them any place, but comparing results with a year ago we certainly got most satisfactory results. We had any number of shippers that were plugged last year, but this year a very few of them were plugged on wheat at any time. So I may say that we experienced great relief and it was very effective and there was little duplication.

Mr. WOOLEY—I would like to commend the work of the Administration on the car proposition. I think it is effective in our section. We got some satisfactory results in calling on our Kansas City Zone Agent for cars. We got relief a number of times. I think it is a good thing and I hope it will be allowed to continue.

Mr. HUTCHINS—From the country dealers' standpoint it is essential that the Administration act in any such capacity as may be necessary. Our elevators in the Southwest were full for a

number of months and we suffered a great loss until we took the matter up and through the efficient zone manager we were relieved almost at once from that day to this. All we had to do was to press the button and Mr. Piazzek does the rest.

Mr. WELLS—Would it not be possible under regulation of the railroads to establish a better system of filing orders with country stations for cars? Those orders would go to the division superintendent and that record would be made available to the Food Administration so that they would know what the supply of cars would be and what the orders would be on file with that division superintendent. Then if complaints were coming to you in regard to cars, you would realize that a certain division was not getting the cars required.

The difficulty I see with what has been done is discrimination. Now the large shipper that is in close contact with the zone agent and is working hard at the centre of things gets his cars. The local and independent fellow in the country a far ways off is not so active and not so close and he is not getting cars.

The CHAIRMAN—Your suggestion is thoroughly practical and a short cut, but I recall a three hours' argument spent with the Railroad Administration to get that information, which was absolutely refused.

Mr. KING—Toledo has not taken up any time so far, but we want to leave an impression before we go. I want to read a speech, in imitation of Mr. Hoover (applause).

General Hoover made his first speech here for the brave but unfortunate Belgians. It would be an ideal place for him, Colonel Barnes, Major Crowell and their associates to cut most of the red tape and partially free the wheat trade. Do it for the new crop.

War measures are experimental. Food Administration can well be proud of the monument they have erected on the present short crop. Everybody has co-operated and many made serious war sacrifices. Now a large crop is promised, here and abroad, and a change in the plan is desirable. Why not try a maximum and minimum and allow trade to almost resume its natural channels? Government has made a minimum in the guarantee price. Put a maximum on flour, say on a basis of \$2.75 for wheat for Chicago. Let the miller secure a voluntary agreement to that effect, or if necessary ask Congress for the power.

Allow trading in futures. Boards of Trade have recently shown they can control undesirable speculation. Providing a hedging market, accommodate the farmers when they have the time and disposition to sell. Build up terminal stocks and let the trade carry them. Utilize the grain machinery and have supplies when they may be needed. Large stocks stabilize prices.

An elastic price would make farmers more anxious to sell when prices are above the minimum. Reserves will be exhausted and millers will be willing to pay more than the minimum until stocks are replenished. The larger crop will make them conservative but farmers would sell freely in July and August when farmers would want our flour and wheat.

Wheat bullets are needed to win the war. Our brave boys, our friends over there and all our hospitals here, should have the best wheat bread possible. Make substitutes unnecessary. Some figure the extravagant use of substitutes now makes the wheat flour cost more than the \$2.75 wheat basis. We must build up our wheat reserves and prepare against possible short crops later. Desirable farm labor will become scarcer the longer the war lasts. Give the natural laws of supply and demand a chance. Try a maximum and minimum. Let Fort Worth and all other markets function to the best of their ability. (Applause.)

Mr. WAYNE—I was very glad to hear so many speak favorably of the results of the trip of the Retailers to Washington, where the Committee attended upon Mr. McAdoo. I happened to be a member of that Committee. I personally was very unfortunate, so far as receiving a share of the equipment. I have taken the matter up with the trainmen of the railroad and that was months before the McAdoo Directorship began, but so far as I could see I got no results. I see a large number of the shippers here did get results.

Mr. McAdoo informed us that he wished specific information as he wanted it in order to know who wanted different cars. He said, I want to know the farmers that want these cars and what they want them for; I want to know how many cars the farmers want; I want to know to what markets they want to ship their corn. I took the trouble to send specific information from our locality to Mr. McAdoo and the information I received from Mr. McAdoo was that the matter would be taken up by the agent in Chicago, that Mr. Ashton in Chicago, President of the North Western Railroad, would see that the distribution was made. During the entire balance of the winter the distribution

was made in our locality, but the C. & A., on which my elevators are located, received no cars. In direct competition with the C. & A. is the Chicago and North Western Railroad located away only a few miles. During that period they were receiving ample cars. That is the condition that prevails in Central Illinois and has during the past three or four months. I am not laying the blame on any one in particular.

We also directed negotiations to the zone man in Chicago, Mr. Jackson, and, as I said before, we got no results.

Mr. SAGER—I, too, was one of that Committee which Mr. Wayne has just referred to that called upon Mr. McAdoo last winter on this subject that we are now discussing, the question of the advisability of the Food Administration continuing its efforts to assist shippers in obtaining cars. They say that constant dropping wears away the hardest stone, and I hope that the constant dropping of requests to the Food Administration will not cause it to discontinue its efforts to supply us with cars because I think that the lack of adequate transportation facilities is one of our most serious troubles. I think anything that can be done to assist the furthering of the distribution of cars and the furnishing of ample equipment should be encouraged, and certainly the efforts of the Food Administration are not hampering the situation. I think if their efforts can be continued they should be in order to help a desperately bad situation.

My experience has been somewhat contrary to Mr. Wayne's, in that through my efforts in Mr. Jackson's office we have secured relief for our country shippers, and I feel I should be derelict in my duty as representing the Chicago Board of Trade if I left this meeting without bearing testimony to the gratitude and appreciation which members of our Exchange feel toward Mr. Jackson for his uniform courtesy and consideration in helping us and in listening to our difficulties and doing his utmost to help us solve the problem.

Mr. PRICE—In defense of what I said, I am glad that Mr. Wayne came in and confirmed what I said, that he did not get the cars.

We did not get any amount of car distribution on the C. & A. Furthermore, I want to get the Government to take the roads. I would like to see them take the roads over and run them. I say they are not getting these railroads to do their duty and they are not fulfilling your instructions and are paying no attention to them. We are not condemning the Food Administration but we are not getting the service that we should.

The CHAIRMAN—It is a matter of interest and perhaps it might be desirable for you to know that every half-week since the 1st of February the Railroad Administration has had a detailed list, properly summarized, of the actual number of cars, requisitioned by farmers or shippers, together with our other information, and that in March the total number of cars requisitioned was about 50,000 and that that has recently fallen to as low as 8,000, and of the 8,000 50 per cent. are required in the State of Illinois alone. So, without any question, you have not got any storm center of car scarcity.

And now I assume that the sentiment as expressed is that we should at least continue and try to develop our aid in car supply through this semi-weekly questionnaire.

b. Permit System.

I may say that the permit system was only attempted to relieve the effect of an absolute embargo against shipments. That embargo was especially burdensome on Ohio and Pennsylvania and lines West and continued for weeks against our protest. We desired the Railroad Administration to take off that embargo just as soon as they felt their car equipment could handle the volume of business that would flow. But while that proceeded and for the relief of the distress of certain communities it was a matter of urgency that some agency was necessary to pass on particular cases and we instituted ourselves as agents. As part of that programme of relief we asked men familiar with the food conditions in various sections which required such relief to analyze requests which came to us and pass on the genuine need which they represented, and then we made an effort to get permits that would overcome the embargo and relieve that distress.

The permit did not mean that all would be supplied; it was an order for a car that would be available if the car supply existed. So even when we passed a permit and got it through the Railroad Administration at Washington it was not a demand draft for a car. That particular problem for the time is gone because the embargo has been raised.

The expression I want to get from you is whether you feel that the Grain Corporation has done the best it could in assisting transportation, and whether it is a field proper to continue in in passing on the needs of these communities. There is no other agency that can pass on the urgency of it; or whether you feel we have gone beyond our legitimate territory. What is your feeling?

Mr. PIERCE—I think we are familiar with one fact and that is that the transportation matter regarding Food Administration

is in the hands of probably one of the most competent railroad men in the United States and, in a way, as I understand it, he is very closely affiliated with the Public Director of Railroads, Mr. McAdoo. That being the case, I think that we are—by we I mean all of us—in a general way under a lasting debt to the Food Administration, and that means that the shippers, the millers and the farmers are in the same position.

Mr. McMILLAN—As a Committee we put in a great deal of time on that subject in Washington this winter and did secure through the Traffic Department of the Food Administration very great service, and I am very confident that whatever is recommended will be to the ultimate interest of the grain trade.

Mr. SAGER—I believe, perhaps, it would not be amiss to offer a resolution, which I do:

Resolved, It is the sense of this meeting of Grain Dealers here assembled that the efforts of the Food Administration, looking toward assisting Grain Shippers in the transportation problems are appreciated by the Grain Trade and they have been of material assistance and it is our desire they should be continued (many seconds).

The CHAIRMAN—You have heard the motion, gentlemen. Is there any discussion? (Question, question, question.) Those in favor? Those opposed? It is unanimously carried and the approval of the trade is gratefully received (great applause).

Mr. CORNEILSON—I would like to call your attention to the fact that in some of the embargoes during the past winter there were certain terminal markets that were embargoed. Terminal markets east of those markets and the country surrounding those markets were not embargoed. It takes up just as much territory or room for a car in an embargoed territory originated in the country as it does from the terminal market. I know that we suffered at Peoria this winter because of the fact that we were embargoed in certain territory but territory within five or ten miles of us would ship direct, or we could reconsign from our market to another market and have them reconsign. That is rather an unjust decision and I would like to have the Food Administration take that under consideration the next time an embargo becomes necessary.

The CHAIRMAN—We quite appreciate that problem.

6. *Lake transportation.* (*Coarse Grain Problems.*)

Let us take up the next, which is Lake Transportation.

Mr. DORSEY—Mr. Chairman, there are only a few of the gentlemen here interested in that matter but we are all interested in the handling of the new crop. Could not those gentlemen get together and present that matter separately or do it by correspondence? It looks like the time is going to be mighty short and we have thus far devoted all our time to the past, to the dead past. For the remaining time it seems to me that we ought to look into what the future is going to offer us. I suggest that we pass that matter and that those gentlemen who are particularly interested in it present it and we take up the question in which we all are so vitally interested.

The CHAIRMAN—It is a little broader than that.

Mr. DORSEY—We do not have any lakes in Texas.

The CHAIRMAN—I think in a few words I can show where you are interested and I do not think it will take much discussion. Last fall when we approached the crop movement with a tremendous demand for lake tonnage we realized that there might be a lot of suffering caused by insufficient lake tonnage. We approached the Lake Carriers' Association and after discussion they agreed with our Contract Committee to furnish all tonnage required for the ore trade and grain trade at the maximum rate—not only wheat, for which we could contract, but also independent shippers of other grains, if in return we agreed on our part that the unloading of these vessels at the lower Lake port should be placed under our control, so that any conflict in unloading in Buffalo might be avoided and a lake blockade thereby prevented. We did that last fall and I think for the first time in 20 years there was no lake blockade of vessels and the tonnage on the lakes, which had been estimated to be inadequate did prove by this quick unloading and return to service sufficient to handle the enormous quantities of coal and grain that were transported on the lake. That was important, as we assumed to direct the independent shipper and he placed his unloading under our hands and it may extend to further direction. In that way it may affect you without a lake.

Mr. MARCY—That worked extremely satisfactory in every direction last season. I think without it you would have the worst congestion on the lakes, both in loading and unloading that you ever have had. It worked so well that I would like to make a motion.

I move that the plan be endorsed at it was handled last year.

Mr. MITCHELL—I would like to second that motion.

The CHAIRMAN—Any discussion on the motion? (Many voices, question, question.) The motion is carried unanimously.

VI. NEW CROP PROBLEMS, WHEAT.

How many of these items under New Crop Problems, Wheat, have we touched on and how many do you want to eliminate, keeping in mind my suggestion, if you please, that if possible we select from the various sections of the grain handling trade a representative committee with whom we can confer to develop a plan as the new crop approaches. How much do you want to discuss now for definite expression?

Mr. MAGNUSON—It seems to me that all these matters have been discussed pretty thoroughly and very fully and I think the suggestion of the President is right, when he speaks of the appointment of a committee and I think if that can be done, the discussion, so far as the general meeting is concerned, might as well close now as at any time.

Mr. DORSEY—I suggest that Mr. Eikenberry is here now and that he relate the agreement or the partial suggestions made at a conference of the delegates present held the other night and that that be presented to the Administration as in a manner expressive of the opinions of at least a majority of those then present. Mr. Eikenberry was the President of the Conference we held the other night and Mr. Moore of Kansas City was the Secretary. I think it will be in order, at least, to present that.

The CHAIRMAN—I will be very glad to have those suggestions read into the record.

Mr. EIKENBERRY—The language which summoned these delegates to this conference asked us to bring some specific recommendations and in order to comply with your suggestions and to meet your demands on the trade, in so far as it is possible so to do, it was suggested to me that we have a preliminary meeting so that the trade might arrive at some suggestions which would represent its collective mind as to the solution of some of the problems that confront the Food Administration with especial reference to the coming crop. At a preliminary meeting held on the evening of the 29th, I think eight specific recommendations were made relative to the future handling or the handling of the 1918 crop. I did not anticipate so long

a discussion of the experiences accumulated during the past year, hence these recommendations do not cover all points that were brought up or even all the points that you had developed in your programme. Without further remarks and with this short explanation of the origin of these recommendations, I will ask that Secretary Quinn read them to the Convention, if that is satisfactory. (It will be noted that Mr. Dorsey mentioned Mr. Moore of Kansas City as the Secretary whereas it appears that Mr. Quinn was the Secretary.)

The CHAIRMAN—Let us hear from Mr. Quinn.

Mr. QUINN—I take pleasure, Mr. Chairman, in reading the following resolutions which have been referred to by Mr. Eickenberry:

To Mr. Julius H. Barnes, President, U. S. Food Administration Grain Corporation:

Sir—The various interests of the Grain Trade after careful deliberation earnestly submit for the consideration of Food Administration Grain Corporation the following recommendations for the handling of the wheat crop of 1918.

1.

In order to protect country dealers on wheat purchased by them the United States Food Administration Grain Corporation should agree to purchase from them at basic price less a commission of 1 per cent., any wheat which said country dealer is unable to dispose of elsewhere. The Grain Corporation should pay country dealers a consideration of one-fifteenth of one cent per bushel per day on all wheat purchased by said country dealers from the time it is received at their elevators until it is shipped out and final payment is made therefor. This consideration will partially recompense country dealers for losses due to inability to get any carrying charges, to liquidate their wheat at a premium over futures, to collect storage from the farmer (who in normal times carries grain in the country elevators) and also for the loss of interest and insurance.

That free and unrestricted movement of grain from country elevators to mills or the shippers' most favorable market be permitted, and that the United States Grain Corporation and the Coarse Grain Division of the Food Administration co-operate in the movement of all kinds of grain, eliminating as far as possible the priority movement of wheat by the Grain Corporation so as to enable the farmer to market his wheat and coarse

grains in terminal elevators and in order to stabilize prices, permit accumulations or reserve supplies available during the period when farmers are busy, or when inclement weather conditions or lack of transportation makes it impossible to have grain available for distribution. Producers and shippers shall be permitted to receive the benefit of the most favorable freight rate and transit privileges permitted by the railroad freight tariffs in effect at time of shipment, said tariffs having been approved by the Interstate Commerce Commission. Bidding for wheat to arrive by terminal market dealers or millers to be prohibited, and interior millers or dealers buying car-lots shall be required to place their bid on the basis of price at terminal market tributary to the stations at which such wheat is purchased, said bid price to be less fixed charges, including freight and commission. The term "Terminal Markets" as herein and hereinafter used is defined as those markets having an organized grain exchange or facilities for handling, storing and inspecting grain.

3.

That mills and buyers located at country points be prohibited from giving the farmers a higher grade or lower dockage for his grain than Federal inspection would justify, or paying him a higher price than would leave a reasonable buying margin.

4.

For the operation of the terminal elevators, we recommend the following plan which is based on the President's proclamation fixing the minimum price on the crop raised during the year 1918 at \$2.20 for the basic grade at Chicago. So long as it is necessary, in the opinion of the Government, to stabilize wheat prices, we recommend that the present method of control and of handling wheat be changed to permit the free and unrestricted movement of grain in its natural channels from country points to markets and to allow the sale of all grades of wheat in the open market, with the restriction that no wheat shall be bought at a higher price than that of the basic grade fixed by the President. This would mean that the Government would no longer fix the maximum value of the various lower grades of wheat, but would permit demand and supply, cleaning and blending and other factors to determine prices thereof. This would not interfere with the necessity of the Government, through the United States Grain Corporation, in compliance with Section 14 of the Food Act, establishing fixed minimum prices

for "each of the official grain standards for wheat as established under the United States Grain Standards Act," at which prices the United States Grain Corporation will purchase all wheat that is tendered it. This would remove the present cause of complaint of producers that the values of any grades of wheat lower than the basic grades are fixed arbitrarily, and are therefore below their relative commercial value. By the changed method the prices of the lower grades would be fixed by competition.

5.

That all wheat bought by persons other than Government agents, and thus finding its way into market, must be sold to the United States Grain Corporation and must be purchased when tendered to it at the prices established by the Government for the various grades, except, however, that dealers in markets shall be allowed to purchase upon orders from mills, wheat from current offerings and ship same direct to such mills, receiving as compensation the commission as provided by the various markets for such service.

6.

Further, that the United States Grain Corporation shall pay the terminal elevator operators as a consideration for storing and handling its wheat and regular published charges for such services prevailing at each terminal market place. The United States Grain Corporation to carry its own risk against loss by fire or the elements, loss by bomb or other explosion and war hazards of all kinds; the United States Grain Corporation to pay for the wheat when the terminal elevator operator delivers to its agent the warehouse receipts.

7.

We wish to emphasize the necessity of maintaining a properly controlled futures market as a necessary feature of an even movement and uniform distribution of coarse grains, or of wheat when not under definite Government price control. Without it, it will be impossible to make such accumulations at terminal markets as will insure the quick and ready shipment and distribution so necessary to prevent wide fluctuations in prices of grain and its products. We can, of course, assume the risk of ownership and make some accumulations of grain without it, but it will be impossible for many to take the risk involved in accumulating without hedges an important stock of grain, except at prices so low as to incense the farmers and cause a sharp falling off in the

movement from the farms at times when it is convenient for the farmers to sell. There is nothing new in this statement, but it is so important a feature of the machinery of the business of grain distribution that too much emphasis cannot be placed upon the need of it.

Respectfully submitted,

GRAIN DEALERS NATIONAL ASSOCIATION.

COUNCIL OF GRAIN EXCHANGES AND REPRESENTATIVES OF
LEADING EXCHANGES.

NATIONAL COUNCIL OF FARMERS CO-OPERATIVE ASSOCIATION.

OHIO GRAIN DEALERS ASSOCIATION.

INDIANA GRAIN DEALERS ASSOCIATION.

WESTERN GRAIN DEALERS ASSOCIATION.

ILLINOIS GRAIN DEALERS ASSOCIATION.

MISSOURI GRAIN DEALERS ASSOCIATION.

TEXAS GRAIN DEALERS ASSOCIATION.

OKLAHOMA GRAIN DEALERS ASSOCIATION.

KANSAS GRAIN DEALERS ASSOCIATION.

Mr. EIKENBERRY—Supplementing that report I might state that many suggestions made there are based on the assumption that we were drawing the suggestions presuming that we shall have the large crop of wheat indicated at the present time, in which case we would call your attention to the repeated statements during this Conference that the restrictions shall be in a manner reduced.

The CHAIRMAN—Is there any discussion on this suggestion by Mr. Eikenberry or any other suggestions?

Mr. DORSEY—When the question of control first came up our records will show that it seemed in order to protect the consumer and the business go on just as it was and if a maximum price could be placed on flour that that would practically control everything else, provided the administration had charge of the exports. Nothing has come up to change my mind. I know that the Administration has been conducted to the advantage of our nation. It has been ably and honestly handled, but I believe most every one will admit that thus far those for whom the price was fixed have not reaped the greatest benefits, that is the consumers. I believe if the price had been fixed on flour at the maximum price at which the mills could sell it or the retailer could sell it that the effect would have been very much more beneficial to the consumer. I am of the belief that the miller

has imposed upon the public very greatly the last year or two. They knew the public mind was prepared to expect extortionate prices and they have laid them on. Our records are almost devoid of commercial disasters as reported by Commercial Agencies. You rarely see where a retail merchant has failed, which is out of order since I can remember, more than 50 years. That indicates that on the prices paid they have collected more tribute than they were entitled to. They have taken the advantage and I want to submit to the Administration now the idea was suggested of the idea to consider this matter and figure it out in the interests of the consumers. For instance, if the maximum price were fixed at which the mill could sell the miller would be forced as always to go into the market and buy his wheat at the most available point, freight rates and everything else considered. He would have to go into the market and sell his flour on the same basis, since competition would regulate the rules of it. In the same way, when the grain dealer wanted to sell to the miller wheat he would be controlled. When the farmer wanted to sell to the grain dealer he would be controlled. I think a great deal of the worry and trouble of the Administration would be eliminated if the price could be fixed on flour through the retailer so that the miller and you could almost let the rest of it go wild. I think, also, the Government should retain control to the extent that they could call for this wheat. They should call for reports and they should control the exports, and, if need be, the private distribution of wheat. But I believe if a price could be fixed as a maximum a great deal of our trouble would be eliminated.

The CHAIRMAN—You realize when you say that that there is no authority to fix prices?

Mr. DORSEY—I say if it could be. I wanted the Administration to figure on it and if desirable we could all help secure that authority.

The CHAIRMAN—Gentlemen, if you are not inclined to make any further suggestions or discussion of this will you now consider the idea of an Advisory Committee selected by yourselves to whom we can look as being the authorized representatives of the different sections of the Grain Handling Trade?

Mr. PIERCE—What number would you suggest? I think that is a very good suggestion on the part of the Grain Corporation of the Food Administration.

The CHAIRMAN—Answering the question, I should say it should not be too large—six or eight or ten may be.

Mr. WALLINGFORD—It seems to me in selecting this committee that each market of any importance whatever should be represented by at least one man. In that way every district in the United States would be represented and it will not make too large a Committee, I believe. That, of course, will depend on what you think about it.

The CHAIRMAN—I suppose Mr. Wallingford's suggestion includes Wichita, for instance?

Mr. WALLINGFORD—At first, if in order, I would recommend that Wichita be allowed a member.

Mr. SMITH—How about Fort Worth?

Mr. WALLINGFORD—And Fort Worth.

The CHAIRMAN—I am afraid that would make a cumbersome committee, and would it be a committee that could properly represent the different classes, the Grain Dealers, Country Dealers and the Terminal Elevators?

Mr. WALLINGFORD—If that could be worked out so that each district might be adequately represented I think it would be the best plan.

The CHAIRMAN—Take the country dealers—would it be possible to select a section or two or three sections so that by the selection of two or three members of the committee the country dealers might agree that those men could typically represent them?

Mr. WALLINGFORD—Don't you think the principal grain States, or those organizations within those States, could select their representatives, or would that be advisable?

The CHAIRMAN—That is what I am trying to put up to you. The State Grain Dealers Associations would probably undertake that.

Mr. WALLINGFORD—Then I make a motion that each State organization choose its representatives to represent them on this committee.

Mr. DORSEY—I second that motion.

Mr. SMITH—I would like to offer a substitute motion, that inasmuch as there are 12 administrative zones in the Food Administration that a like number of representatives of the grain interests, the elevator interests, the commission merchants and terminal markets be selected to represent the Grain Trade in

general. That will put it on a fifty-fifty basis. This not because I feel that the 12 zones will equally or fairly cover the territory but I think a too large committee will be unsatisfactory. I think much good has been accomplished by consideration of every question before this very large meeting but at the same time I think the number of this other committee should be limited.

I would suggest as a substitute motion for Mr. Wallingford's motion that a Committee of twelve be selected to consult with the Food Administration Grain Corporation.

The CHAIRMAN—Have you a suggestion as to the method of their selection?

Mr. SMITH—I am speaking more as to the limit of the number of the Committee.

Mr. RILEY—My experience in this kind of work leads me to believe it might be well not to have too large a committee but that the committee be selected by the representative organizations. For instance, there are something like eight or ten grain dealers associations. Their interests are almost identical. If from that particular group of associations they were to select a member to represent each that would not be a proper representation in this consulting committee. I should doubt the propriety of having a member of the committee from each of the grain dealers associations. The same as from each of the markets. That would make an unwieldy committee. But I do think that the proper way would be to request them to make a selection representing the different interests they represent.

Mr. WALLINGFORD—With the consent of my zone I would like to offer a different motion and withdraw the motion I have made.

The CHAIRMAN—I did not hear a second.

Mr. DORSEY—I second it.

Mr. WALLINGFORD—I would like to offer this resolution, that Mr. Barnes, who is thoroughly acquainted with this whole situation and knows the men of these organizations better than any other individual, be empowered by this organization to appoint a committee of ten or twelve to represent the various organizations here represented.

Mr. PRICE—I second that motion.

Mr. MOORE (Kansas City)—I wish to amend that motion by moving that we allow Mr. Barnes to select that committee at his discretion.

The CHAIRMAN—I prefer very much that the selection be made by the trade themselves, in fact I think it is very essential that the selection should be made in that way. I want no one obligated in any way for his appointment to me. I particularly desire this because I do not want to feel that any member of this committee may be in any way influenced in his attitude on any question that comes up excepting in so far as it may be to the best interest of the trade and of the country.

Mr. HOFFMAN—There are three distinct interests interested here—the country elevator man, the commission man, the terminal elevator man and the export interests. It would not be hard to have the gentlemen representing those different interests get together and elect, if you please, one or two or three, as it may be decided, to represent. If there are four interests, then you would have three from each and that would make a committee of twelve. And as a national proposition—the Northwest, Southwest, or the East and the North—they could have a representative. The same as the terminal elevators and the commission men.

The CHAIRMAN—How would the commission men select their delegate? I can conceive that the terminal elevator men have an association and the exporters have an association. The country dealer is governed by both his State organization and his national association. But what about the commission man? How could that be arrived at?

Mr. HOFFMAN—Have the commission men of each market have a representative on the committee.

Mr. PIERCE—We had this winter a committee that had to do in effect almost what this committee is expected to do, and we found that by getting the various organizations together that it is possible in that way to select a committee that represented the various interests involved in the Grain Trade. I should think a committee of not over twelve could be selected in that way or some similar way and we would get a full representation of the Grain Trade. In any event, I am sure you would like to have such a committee in which every man in this room would have confidence, and also a committee that would represent every section of the country if it was correctly represented. My

experience is, in organizations, if you want perfect results you want to have every member of the organization have full confidence in the organization's committee.

Mr. CORNEILSON—I was going to suggest that we have the National Grain Dealers' Association, of which all State associations are affiliated members, select members for this committee. We have the State Grain Dealers' Association throughout the country, and they include commission men and brokers as well as the cash handlers. We also have the terminal associations which include the terminal elevators. It seems to me that the nomination of the committee should be left to the National Association as to their proportion. If it is to be a committee of twelve, then three from the National Association and three from the other Grain Exchanges and three from the Terminal Associations, and if the exporters are insufficiently represented then they might be selected by the others.

Mr. MAGNUSON—I fully agree with Mr. Corneilson as to how that committee should be composed, but I believe that a committee of twelve would be more than the requisite number necessary. What we want is not an unwieldy committee. The grain men, as a rule, are among the brainiest people of the United States and I believe that a committee of seven or nine would be just as good as a committee of twelve; in fact, I would have a preference for a committee of five. But suppose there are seven or nine. Suppose the President of the Grain Dealers' Association appoints two and the Terminal Association appoints two and the President of the Grain Exchanges appoints two and that the President of this Conference appoints one. The President would naturally be the one to whom the committee would come. He should have some one of the committee with him. That would make a committee of seven and that would not be unwieldy as a committee. They could come to New York without a great deal of expense and there would not be so many that would have their time taken up. I am satisfied that the size of such a committee would be just about right.

I would so move, unless there is a motion before the house.

Mr. CORNEILSON—I think that you have overlooked the farmers. They ought not to be overlooked and they should be included.

Mr. DORSEY—I do not see any objection to a committee of ten or twelve or fifteen. But the manner of selecting this committee is unfair to the country grain shipper upon whom the

Government depends and who, under the rules and regulations of the Administration, can serve their country a great deal better than middle men or elevator men have been able to do. Since the country shipper is representing the Government and handling all kinds of grain I think they are entitled to a fair and reasonable representation in the appointment of this committee. I think the distribution as suggested by Mr. Magnuson and Mr. Corneilson is unfair to the great loyal country shippers that do the work and get out the grain and get it ready. I do not think the distribution as suggested is fair or equitable.

The CHAIRMAN—Mr. Wallingford has a motion. Do you request that he withdraw it?

Mr. WALLINGFORD—If you suggest I withdraw it, but I still think that is the proper solution of the problem because it is almost impossible to have every branch represented here adequately without having a very unwieldy and cumbersome committee.

The CHAIRMAN—I certainly do request that you withdraw that motion. I dislike to be embarrassed by selecting that committee. Mr. Magnuson, your motion is not seconded.

Mr. CORNEILSON—I will second it.

The CHAIRMAN—The motion is that a committee of seven be selected, two to be named by the National Grain Dealers Association, two by the Council of Grain Exchanges and two by the Terminal Elevator Merchants' Association and one to be selected by the President of the Grain Corporation.

Mr. CLEMONS—Mr. Barnes and gentlemen, I agree with some things that have been said here about the size of this committee. The fewer people you have on that committee the better the results you will secure in one way, but the more people you have on that committee the better results you will get in another way. If I understand Mr. Barnes correctly his idea in asking for such a committee is to get the expressions of the different sections of the country and how they might want to put into effect what would affect the different sections of this country for the grain trade of the country. If I am right in my understanding, a man appointed in the Southwestern part of the country could not represent the Northwestern part of the country intelligently; a man from that same section, the Northwestern part of the country, could not represent Ohio and Indiana intelligently. Neither could he represent Idaho or Nebraska, and for myself

I will say that if I happened to be honored by being put on such a committee I would not attempt to do it. The only thing a man can do on that committee is to represent the section of the country that he lives in and knows about. I know this, and I believe Mr. Barnes will substantiate what I say, that there was a condition existing in our part of the country last year after the Food Administration Bill went into effect that if pointed out in time to those in authority or those who formulated that food bill would have taken care of. I believe that every State that has a live grain dealers organization should have a representative on this committee. I believe it would be Mr. Barnes' desire that they should have. Mind what I say, every State that has a live grain dealers organization. Live grain dealers organization are made up by men who are alive. Consequently you would not have dead wood on such a committee as that. And I believe it is a fact that any State in this Union that has a grain dealers organization or an association that has not a member or has not affiliated with the National Association is made up of dead wood and I do not believe they are entitled to membership on this committee.

Mr. HOFFMAN—I cannot be in favor of this way of appointing such committee, for this reason. Let us suppose that in the appointments by mistake only the men appointed are all representative of country elevators. That would not be wanted. I understand you want approximately an equal number of men from each line in the grain business. I think it quite necessary that two or three men from each line of business be on that committee so if there is a question asked about f. o. b.'ing or about terminal elevators that there be some one man on that committee to give you the desired information. I am very much in favor of making it a stated number of seven or eight. I don't believe in a large committee. Twelve is not a large committee. And I think it is necessary that you have a committee composed of all lines of this trade.

Mr. CORNEILSON—I perceive from what this gentleman just said that I created a wrong impression by what I said. I was talking from the grain dealers' standpoint. I do not mean that the other organizations should be excluded from this committee by any means. They should have a representation.

Mr. HOFFMAN—I did not misunderstand you. My point is that there should be a larger committee than five.

Mr. MARCY—I have a substitute motion that a committee of twelve be appointed consisting of three to be nominated by the National Association and three by the Country Dealers' Association and three by the Terminal Elevator Association and two by the Export Association and one by the Pacific Coast. (The motion was seconded.)

Mr. SEARLE—As the representative of different lines of business I think if the National Grain Dealers' Association were to choose their members from the Country Grain Dealers' Association, and the Council of National Grain Exchanges were to choose commission men and then the Exporters were to choose their representatives and the Terminal Elevator Men choose their representatives, then we would have a representative committee. Will Mr. Marcy accept that suggestion?

Mr. MARCY—Yes.

The CHAIRMAN—Just to get the motion absolutely clear—what about the method of selecting the Pacific Coast representative?

Mr. MARCY—I suggest that it be left to Mr. Houser to develop a plan for the selection of that man.

Mr. MAGNUSON—I would be glad to accept the plan of Mr. Marcy, except in this that on that committee there is no representation at all of any line country elevator man. The three to be appointed from the country are substantially operators of country elevators but there is not to be any one who controls a line of country elevators. Operating one elevator is different from operating a line of country elevators, consequently I had in mind in making my motion to be sure that the Committee would be composed of one country elevator man and one terminal elevator man and one commission man and so on so the committee would be divided among the different lines of business that made up the grain trade and that the Presidents of these different institutions, together with the men to be appointed by the President of this meeting, should possess the general and best knowledge of the general trade.

Mr. SAGER—I think that Mr. Marcy's resolution is the happiest solution of the question yet proposed and if any motions are to be adopted I hope it will be that one. It seems to me it should distinctly embody the suggestion made by the gentleman a few moments ago regarding the different branches to be represented.

As to Mr. Magnuson's objection, the terminal elevator association is to have the appointment of several delegates and a great many of those gentlemen are always interested in and operators of line elevators, so it seems to me the line elevators would have their representation in the organization.

Mr. PRIDDY—I suggest or offer as an amendment to the substitute motion that this committee be composed of the Presidents of the various National and State Organizations and of the various organizations that go to make up the trade. That would make it 10 or 12 but you would probably have the best men in the world on that committee. State Associations are not entirely made up of country shippers but are made up of receivers and terminal operators and elevator men.

The CHAIRMAN—Do you offer that as an amendment to the substitute motion?

Mr. PRIDDY—Yes, that it consist of the Presidents of each organization in the country.

Mr. QUINN—Mr. Priddy has just suggested the selection of the Presidents of each one of the active State Associations including the National Association. The National Association has at the present time nine State Associations affiliating and every one of them is active, so on that basis the country shipper would have a representative of nine to begin with. If you attempted to have approximately the same representation in other branches of the industry, such as terminal elevators, commission men and interior representatives and so on you would have a committee too cumbersome to do anything. Mr. Barnes, being a practical man, would like to work with smaller units. A unit of that kind would be so large you could not do anything with it. It would embrace at least 25 or more on any such basis as suggested by Mr. Priddy.

Mr. SAGER—I wish to second Mr. Marcy's substitute motion.

Mr. PIERCE—In the three organizations are included a very large representation of the country. And the Presidents of those three organizations are men in whom the grain dealers place the utmost confidence. In order that the business of the various sections of the country may be properly represented I would like to offer an amendment to all previous motions. I move that these three Presidents be appointed to constitute a committee to select a committee of a size which the President of the Grain Corporation may determine and that these three men

shall not select more than one man from any branch in the country and that each branch shall be represented—the Presidents of the Grain Dealers' National Association, the Council of Grain Exchanges and the Terminal Grain Elevator Association.

Mr. DORSEY—There is no provision for the appointment of a representative of the agricultural interests. They have a very large farmers' organization in this country. A representation by the farmers might be very well worth while considering. There are about 200 members here now in this Conference. I do not think Mr. Barnes or any one else thinks that this present committee has been very unwieldy. In counsel there is wisdom. I find that the more men we have the better. I do not think your committee would be cumbersome or impracticable. I second Mr. Priddy's motion.

Mr. VAN DUSEN—I second Mr. Pierce's motion.

Mr. PRICE—In reference to the Cooperative Association mentioned, as we were too modest to mention them ourselves, if you want them or think that you need a representative of them on that committee I will be pleased to lay the matter before our people and let them send a representative of the country interests.

The CHAIRMAN—The Farmers' Cooperative Associations?

Mr. PRICE—Yes.

The CHAIRMAN—Is that represented in the National Grain Dealers' Association?

Mr. PRICE—It is the Upper Council of the National Grain Dealers' Association (Laughter.) We are members of the National Council to work through the National Council.

Mr. DORSEY—The National Council has no connection with the Grain Dealers National Association (Many voices, question, question, question, question.)

Mr. CARKENER—Mr. Marcy's idea is that there should be three elevator men, three commission men and three representatives of the country interests and two exporters and one from the Pacific Coast. That is 11 and it looks to me like it is representative. I did not get anything definite out of Mr. Pierce's motion except a method of selecting this committee which when selected may be representative men. As I understand it, I think Mr. Marcy's idea is much more representative.

Mr. DORSEY—Just one word and that is my last. I want to call your attention to the fact that you are not giving proper representation to the country shipper. I don't think any one of you will contend it is fair, reasonable or just. That is putting the plain truth to you and it is the truth.

Mr. WALLINGFORD—We represent a number of country dealers and we think it is manifestly fair, at least I do. (Question, question, question, question from many).

The CHAIRMAN—The vote will be on Mr. Pierce's motion which is that the presidents of the National Grain Dealers Association and the President of the Council of Grain Exchanges and the President of the Terminal Association select a committee of such number as may be desired by the President of the Grain Corporation and that these three men shall not select more than one man from any branch in the country and that each branch shall be represented.

Mr. PIERCE—Giving due regard to the different sections of the country to see that each is fairly represented and that each section of the grain trade is fairly represented.

The CHAIRMAN—You are right.

Mr. PIERCE—It is a very difficult thing to distribute the representation fairly through the country.

Mr. PRIDDY—With the consent of the gentleman who seconded my motion, I think it is quite fair and I desire to withdraw my motion, that is the suggestion by Mr. Pierce.

The CHAIRMAN—The amendment as proposed by Mr. Pierce, just elaborated to you, is before you for a vote. Are you ready for the question? Those in favor?

Mr. SMITH—Does that embody the number of the committee or the extent of the committee?

The CHAIRMAN—No. Those in favor of that amendment say aye. (Several ayes.) Those opposed (Several noes.) The noes have it, unless there is some question of the decision.

The question now before us is the motion by Mr. Marcy duly seconded, a substitute motion, that the National Grain Dealers Association select three to represent the country dealers and the country elevator interests; that the Council of Grain Exchanges select three to represent the commission men's interests; that the Terminal Elevator Grain Merchants Association select three to represent the terminal elevator interests, and

the suggestion has been more or less clearly indicated that that terminal elevator representation should represent the line country elevators; that the exporters select two and that the Pacific Coast have a member of this committee to be selected in such manner as our agent, Mr. Houser, may arrange with the commercial bodies on the Coast.

Mr. DORSEY—I move that the motion be tabled.

The CHAIRMAN—Are you ready for the question? (Many voices, question, question, question.) Those in favor (Many ayes.) Those opposed. (No response.) It is so ordered and the motion is declared carried and as a substitute motion to replace Mr. Magnuson's original motion.

Now, gentlemen, these interests, these commercial bodies mentioned, will make such selection and advise us of their selections in accordance with the spirit of that resolution.

I promised the gentleman from Oklahoma I would give him a chance to discuss the question of interpretation of the war tax on freight.

Mr. HUTCHINS—The matter of the war tax as it has been assessed against the country shipper has been a matter of considerable irritation.

The CHAIRMAN—Gentlemen, do not go because we have still the important questions concerning Forms DOO and COO to discuss, and you might listen with courtesy to the gentleman now speaking (because several members started to leave the room).

Mr. HUTCHINS—That has aroused some discontent.

Interpretation of the War Tax on Freight.

We contend that the ruling of the Food Administration as to that is incorrect and we feel sure that before the new crop begins to move this matter should be investigated. We think the country elevator has no chance or recourse as it stands. This is a matter that should follow the wheat and as long as the miller is protected should go with the wheat.

Another matter that we must face in a short time is the matter of the increase in the freight rates. This will probably strike us when we have wheat on hand and on the basis of the present rate. What shall we do with that wheat unless the country elevator man or the terminal elevator man takes the loss? Can we devise any method by which we can protect ourselves? I do

not see any chance for the country elevator man if the railroad raises its rate.

The CHAIRMAN—Perhaps I can directly answer that as we see it. The situation is that as to wheat, which is the only food we really have interfered with, under the 30-day regulation as well as the self interest of the handler the wheat will be put into commercial channels without delay. If that delay arises because of car shortage or lack of railroad transportation, that is a business risk against which you are not protected. If we are the direct cause of wheat being held at the country point and a freight advance goes on we consider ourselves obligated to protect the country elevator by reason of such advance, in the sense that if the wheat is delayed by our order and the owner had no chance to protect himself by putting it into the market before the advance took place. Does that answer your question?

Mr. HUTCHINS—To a certain extent. How about where the elevator is full and we have no cars?

The CHAIRMAN—On the hazards of rail equipment and rail transportation we see no reason why we should absorb that, nor do we see any reason why we should absorb any risk except when on our orders interfere with your movement. I would like to get an expression from any one who differs with that as being sound.

Now, gentlemen, we have these two reports COO and DOO, the reports of the trade. These two reports as sent out are looked upon by the trade as unduly complicated and burdensome. What can we do to simplify them and still get the information at Washington, information which they must have? We will be glad to have your suggestions.

Mr. LINDERHOLM—That request for those reports causes all kinds of uneasiness, not because we do not want to give you the information. They are only one of many we have been getting, and not all coming from the Food Administration. We have them from the Federal Trade Bureau and other sources. If we are able to give you the information in an intelligent manner we want to do it. We are not holding out against this DOO or COO, but it is absolutely impossible to give an exact estimate of all conditions for three months and unless we can get it eliminated on DOO entirely we would ask that it be made for a period of six months, as most of our elevator concerns close their year the 1st of July or about that time. In that way you could aid us.

If the trade had been prepared for this proposition they possibly could have adjusted their bookkeeping to do that. All you will get from the majority will be only a rough estimate. We ask that either they be eliminated entirely or the time extended to July 1st and make semi-annual reports requisite instead of quarterly reports.

Mr. CARKENER—I am commissioned by every member of the Board of Trade of Kansas City to request that the request for these reports be withdrawn. That may be putting it a little strong, but our membership is opposed to the report simply because their system of bookkeeping hardly permits of their making them out. So many things are asked for that the merchandising man, the commission man or the man doing a carload jobbing business would have to dissect every kind of a sale or a purchase in order to furnish you the information requested. He has to divide his interest account as against money advanced on consignment and money invested in grain he might buy with a view of handling it as a dealer, and the item of freight paid would mean that every car would have to be dissected. And then there are other charges, such as insurance and inspection. There is no set of books ever kept by commission merchants or those doing a shipping business, outside of the regular elevator operator, that would permit these reports to be made up without employing extra help, and if the business reaches any volume and these reports continue to be demanded it would mean an additional extra bookkeeper or bookkeepers, because the journals and ledges would have to be changed so that these several entries, some three or four or five for each account, might be made out. For instance, there is a requirement that we shall make out a report on the freight paid. You sell grain for delivery to Kansas City or Chicago, but you don't actually pay the freight, but allow it on the grain. It is almost impossible to fill out that report.

Mr. PIERCE—We take stock the 1st of January and the 1st of July, twice a year, and in making up our account so as to make out statements for our clients, about twenty to twenty-five days. Even if we were in a position to answer these question fully that would impose a great hardship upon us, because it would require our making out our statements four times a year instead of twice a year, because we would have to go through this same work twice as often as we do now. We cannot see what value this is to the Food Administration. Mr. Hoover knows just why he wants it. All we can do is to ask you to con-

sider our situation and to explain to you just how we are handicapped by your requirement and tell you what it means to us, then you can weigh any value to you of these reports against the trouble and expense to us, and if you still believe that it is fair to call for these reports we will furnish them, no matter what it costs us in the way of time or trouble or expense. But I think, if you can get the information as well as may be necessary in some other way, you should do so. Our books are always open. We don't object to your examining them. We could not if we wanted to. You can get the same information yourselves in the same way, so that you can get the meat of what you want. That would be much more satisfactory to us.

The CHAIRMAN—I will let Mr. Stream answer your objections.

MR. STREAM—The Food Law prohibits taking anything more than a reasonable profit in the transaction of handling foodstuffs, and unless those who are engaged in the handling of foodstuffs make an exhibit of their transactions to the authorities at Washington the law is worthless. How else will Washington know whether you are conforming to the requirements of the law? If you are prepared to make a report that will give us the information and give us that report within a reasonable time, why, well and good. We would like to have you assist us in forming such a report. We had considerable difficulty in trying to arrive at a uniform report that would cover the entire grain trade. All grain dealers come under one license—the country elevator dealer, the terminal elevator dealer and the exporter to the Eastern distributor, and in our attempt to prepare that form of a report we tried to cover all the interests. We must have the reports.

We have had a great many complaints about the difficulties that dealers are under in preparing these reports, but I want to tell you that when I left Washington, the other day, we had some four or five thousand reports made out and waiting for us to pass on. If you can prepare a report that will be more simple and that will give us the desired information and you can file it with us every three months; we will be glad to accept any such report that may be offered.

MR. EWE—Is it really essential that the different classes of grain be separated in the D00 report? You ask for a separate report on wheat, oats and grain, and you ask for a separate report of the amount of freight paid on each of those individual

classes, and for a separate report on the food volume and the amount of money collected for that grain, and also on the earnings, I am told.

Mr. STREAM—I take it that every grain man keeps his wheat and corn and oats accounts separately.

Mr. EWE—That is true when you have a merchandising business, but where you are a commission man, we don't keep separate accounts.

Mr. STREAM—There are two reports, one for the grain dealer and one for the commission merchant. To which do you refer?

Mr. EWE—I refer to the commission merchant.

Mr. STREAM—Do I understand you do not keep a grain account separate in your commission business?

Mr. EWE—No.

Mr. CARKENER—Everything goes into the grain account, profits, commissions, freights and everything.

Mr. DEWEY—Commission merchants do not buy the grain. They get a commission. There is no necessity for a grain account. It is no difference to a commission man whether he gets a commission for selling a car of corn or a car of oats or a car of wheat.

Mr. STREAM—At the end of the year, can you tell where your commissions come from under that system?

Mr. DEWEY—We cannot tell from our commission account whether it came from corn or oats.

Mr. STREAM—All you know is that you earned a commission?

Mr. DEWEY—We can tell where it comes from, from our customers.

Mr. STREAM—My experience is that it is the general custom to keep the grain separate and I do not see where there is any more difficulty in making a report of your separate grain handlings than in bulk, if you keep your accounts in that way.

Mr. SAGER—Although you have just stated that your experience indicated that the different grains are kept separately, I am thoroughly sure that is not the general practice of those who act as commission merchants receiving grain on consignment from the country dealers. We have no occasion to keep a separate account for wheat, corn, oats, rye, etc. We simply have occa-

sion to make returns to the shippers on the number of bushels, the total value, the total freight and the total commissions and charges. That would be comparatively easy, in fact very easy for commission merchants to make a report to cover that up to the end of the year or the three months' period, giving the number of cars and the amount we had handled. That is to say, we could give the number of cars of oats and of corn and of wheat and then aggregate the total in the way of the number of bushels handled, if necessary, and the net earnings from commissions. Would not that answer? All you want to know, as I understand, is how much our earnings are and what the volume of business is that we do on which those earnings are predicated. Would it not be possible for you to provide a form for commission merchants that requires that we simply embody the total number of cars, the total number of bushels of the kinds of grain that were handled, and the total amount of freight paid and other charges and the total commissions received for doing that business? If that would answer your purpose it would simplify our work very much.

Mr. STREAM—That would answer the purpose, but when the report was originally drawn it was with the idea that the commission man kept his cereals separate. Sometimes you have a different commission rate on different grains. We would like in that event to know what your earnings were on each class of cereals.

Mr. SAGER—I can say that I have instructed my office force to provide that information, if possible. They are going back through the whole period and picking out the different items and segregating them, but it is quite a burden.

Mr. SMITH—In Texas we have corn, seed, beans, kaffir corn, velvet beans and various other kinds of grains. My books are kept by a trusted employee but it is impossible to tell what we did in each of these varieties last year. We have been working since the 1st of April to tell what we did for the first quarter and we hope to get it ready for you by May 15th, although I am not sure we can. There are half a dozen products as important as grain that we handle, mill products. We charge everything we buy to a merchandise account and we credit everything we sell to a merchandise account and we have run that business for 13 years in that way and I don't believe, in all frankness, I can make up an intelligent report.

Mr. STREAM—It will be difficult for the Government to adapt itself to the bookkeeping of each grain dealer. If you also are handling food stations you probably are operating under a license.

Mr. SMITH—I am operating under so many licenses that the bulk of our time is occupied in filling out or attempting to fill Administration reports. We have employed an extra man to help out and one stenographer in making out reports like these.

Mr. PIERCE—Could it serve the purpose of the Food Administration if these reports were made out at less frequent intervals? Is there not some longer period you can give us?

Mr. STREAM—Mr. Pierce, we are getting some reports monthly.

Mr. PIERCE—Of this nature?

Mr. STREAM—Yes, indeed. The corn millers are making a monthly report.

Mr. SMITH—I happen to be a member of the Corn Millers' Association and I have to make out their reports because I handle velvet beans, but I don't handle anything else.

Mr. CALLAHAN—Is there any chance to get our time extended?

Mr. STREAM—The time was extended from April 15th to May 15th. Have you made any efforts to prepare your report?

Mr. CALLAHAN—I might explain that I am operating a private elevator. If you ask us to retroactively go back to the 1st of January to pick out in our books facts that we did not provide for in advance, we will find that very difficult if not impossible. I am working on it but I think it will be a task that will take longer than May 15.

Mr. STREAM—When do you close your fiscal year?

Mr. CALLAHAN—June 1st. The problem that confronts us in response to your request is one that presents very great difficulties.

Mr. STREAM—I appreciate there is a very great hardship, but without these reports you must realize that the effectiveness of the law will be lost.

Mr. PRICE—I am a farmer and not a bookkeeper, but we keep our books and take off a monthly balance. When we ship anything we put the return of that sale to the credit of grain, but we do not separate insurance and interest and such

things. There are so many charges on those accounts that it will take four or five columns to separate them. They are all lost, so far as we are concerned, though we put them against that grain and that car. I can give you a pretty accurate estimate of each grain we handle by taking an invoice off and putting it down on the report blanks, but to put it on the form you require it I cannot do that.

Mr. STREAM—What will be your difficulty if you keep your grain separate and the results of shipments separate?

Mr. PRICE—Because our items of expenditures are altogether and they are bunched. We do not know what freight or commissions we paid for feed. It is all taken from that one item. These results that you ask for, if given to you as required by the card, will require an enormous amount of labor. I was down sick with pneumonia working nights and Sundays trying to get ready to make that report.

Mr. STREAM—There is no reason when you ship corn or oats or wheat to the market you cannot show what your net return was, is there?

Mr. PRICE—We put that to the credit side of the wheat.

Mr. STREAM—If you use that in compiling your reports that will be sufficient.

Mr. PRICE—The footings?

Mr. STREAM—Yes.

Mr. LINDERHOLM—I have been trying to bring this matter up but so far have not succeeded. I want to tell you that we are going to have great difficulty and it will be impossible absolutely to give you a report of our condition for these three months very intelligently. I suppose our office will fill out a statement to the best of their knowledge and ability but I question whether I can swear to it.

Mr. STREAM—You are not asked to swear to it.

Mr. LINDERHOLM—I want something definite so I can tell them what is necessary for the DOO report.

Mr. STREAM—Is all your difficulty in preparing this first report? Will you be able to prepare the second report now that you know what the requirements are?

Mr. LINDERHOLM—Another one will be just as bad as the other.

MR. STREAM—Will you be prepared to make that report after your second period on the present form?

MR. LINDERHOLM—I think so—that is, I don't know that we will be able to give it to you as you ask for it as to a great many of the items, but we will be able to give you exact results on business at that time, yet we cannot do that now although we take a fairly close inventory the 1st of July and January.

MR. STREAM—Then why should you have any difficulty in preparing a report from January to April?

MR. LINDERHOLM—We have altogether too much grain hanging over and not entered in our books the 1st of April to even give you a close estimate of it.

MR. VINCENT—Do you think your purpose will be served satisfactorily if your first quarterly report were suspended and included in the six months' report up to July 1st. Hereafter we could give you a quarterly report if necessary. I think then everybody in the grain business would have a chance to readjust their systems of bookkeeping, which now vary greatly, so after July 1st this bookkeeping system might be so arranged as to furnish the information you desire and exactly as you desire it.

MR. MOORE of Kansas City—Our fiscal year ends the last of May. If we could arrange to make these reports after the beginning of our fiscal year that would greatly aid us. My case is only one of a great many.

MR. STREAM—I do not know where we would begin or end if we had to make concessions to every one who had a peculiar and unsatisfactory system of bookkeeping, or who had a peculiar time for closing his books. It seems to me that the dealers and the trade must adapt themselves to the requirements of the Government, rather than the Government adapt itself to the peculiar conditions in which the dealers and trade keep their books and end up their fiscal year. We want an intelligent report of your operations. If you can give us a quarterly report showing net results of your operations, quantity of grain handled and amount of your expenditures, that is what we are trying to get at. If you can give us that that will satisfy us. I am willing to leave it to you to prepare the report. I am willing to let you go on and furnish us that general information for the present, with the understanding that you hereafter adapt your systems of bookkeeping so that they will be applicable to the requirements of these forms, in order to give us definite information as to

your business. We do not care to hold you down to any particular form. What we are trying to get at is the result.

Mr. SHERWOOD—I think, perhaps, the trouble is due to the fact that the request for the reports are for business for the three months that have transpired, without our having previous knowledge of what the requirements might be. Most of the flour mills find it hard to adapt themselves to the form of the reports required for the first three months, and this is especially true so far as the thirty-day report is concerned. After having experience for a month or two, I think they all can satisfy your requirements. I think that a great many of the bookkeeping systems are such that the millers and traders will find it hard to adapt themselves to the particular form furnished. But if that form is to be adopted and if practicable, I see no objection to it. They could follow it in the future. But in our office we have had one Dickens' of a time getting the information from our books.

Mr. MULLEN—Situated as we are in different parts of the country, we handle almost every kind of grain. We keep a separate account of the number of pounds of each kind of grain we handle. I might say that in manufacturing that grain we are often called upon to mix our corn and oats. We do not weigh the corn and oats before we mix them. We put in a proportion of each that we think will be satisfactory. It is difficult for us to say how much we make on corn and oats separately. Will it be satisfactory if we show the number of pounds of every kind of grain we handle and the profit we have made altogether on corn, oats and barley?

Mr. STREAM—You mean upon all grains?

Mr. MULLEN—Yes, because they are handled together and the classes go in as one. Would that be satisfactory?

Mr. STREAM—We much desire a report on each cereal, if possible.

Mr. MULLEN—How would it be possible to get at that?

Mr. STREAM—The same man handles both.

Mr. MULLEN—They are not handled separately all the way through. The question of insurance and taxes and interest and repairs and storage and all that is put together in one expense.

Mr. STREAM—You do not separate your expense account?

Mr. MULLEN—No, it is mixed together and handled together. We cannot separate the expenses at all. I do not see how we

can. We cannot estimate it according to the number of pounds of the different grains we handle. We can show that it costs so much per hundredweight and we can show how much it costs to handle our grain and then we could divide that up in proportion to hundredweights.

Mr. STREAM—We have been doing it as I have stated in the past. If we handle a hundredweight of corn and oats all the way through, that is, show the cost of corn per hundredweight all the way through, and then find our total expenditures and segregate it from our wheat and oats and barley and then divide it up in hundred pounds and in that way give you a fair estimate of the cost of the different grains, would not that be satisfactory? But it will be nothing but a rough estimate at the very best. We could not give you an accurate account, sir. I would be pleased to talk to you differently but I don't see how it is possible.

Mr. STREAM—Have you reference to your milling oats?

Mr. MULLEN—Yes.

Mr. STREAM—Are you making a report as a corn miller now?

Mr. MULLEN—Yes.

Mr. STREAM—Are you making a report of your operations as a corn miller?

Mr. MULLEN—Yes, I think so. A portion of it is handled as a mill product and a portion of it is handled as feed.

Mr. STREAM—These reports we refer to are to show the results of your handling of grain and not the milling end. If you already made a report on your milling operations that is separate from grain.

Mr. MULLEN—We handle bulk grain and stock grain; in other words, a portion goes out as stock.

Mr. STREAM—You keep the results of your grain transactions separate from your milling transactions?

Mr. MULLEN—Yes, separate from our milling of flour but not from corn or oats. If we give that all together will that be satisfactory? I don't see how we can give it to you otherwise.

Mr. STREAM—In other words, you combine both your cash grain business and your coarse grain milling business in one?

Mr. MULLEN—Well, it is all one, some is in bulk and some in stocks and some is ground and shipped.

Mr. STREAM—Would it be possible for you to separate the results of your grain business from your milling business, your corn and oat business?

Mr. MULLEN—It would be very difficult indeed. I do not hardly know how to do it, except as I have explained to you just now.

Mr. STREAM—How do you make your corn milling report now?

Mr. MULLEN—I could not answer you myself but I know they are making a separate corn milling report.

Mr. STREAM—But it must necessarily follow, if you now are making a mill report of the results of your operations as a miller, you must separate that from your grain handling. What we want is your grain handling transactions. You have already separated that when you make your corn miller reports?

Mr. MULLEN—You mean the grain mill report?

Mr. STREAM—Yes.

Mr. MULLEN—A portion of that goes into feed and a portion of it into grain, but as to oats and barley and all that dry farm stuff, we cannot keep that separate without a great deal of trouble. For instance, we have been buying all year and some of it has been mixed and ground. We could not tell you what the profit has been on that. We can give you the number of pounds of each kind without very much trouble and could give you the net profit on it altogether.

Mr. STREAM—Do you grind barley?

Mr. MULLEN—Yes.

Mr. STREAM—Do you grind oats?

Mr. MULLEN—Yes.

Mr. STREAM—And the results of that grinding, do you report on that?

Mr. MULLEN—No, sir.

Mr. STREAM—There are blank reports required for barley and oats when milled.

Mr. MULLEN—When I say barley milling, we are making some barley flour.

Mr. STREAM—Do you make out the DA-9 or the A-9 report for manufacturing foodstuffs and selling foodstuffs?

Mr. MULLEN—I don't know. There are so many. I guess I will sit down and do the best I can.

Mr. STREAM—There is such a report.

Mr. MULLEN—I don't doubt it. Did you ever try to keep these reports?

The CHAIRMAN—We have 4,000 of them.

Mr. MULLEN—We are doing the best we can.

Mr. STREAM—The reason I ask these questions is that there is a great deal of corn handling and feed business done by the dealers here in the East and they could not separate their grain business or feed business, but we told them they could combine their reports in a foodstuff report. If you are making such reports you may combine your grain business with your feed-stuffs.

Mr. MULLEN—If you treat us out West as well as you do the dealers in the same business down East it will be all right.

Mr. STREAM—That is what we do with the Eastern dealers. We tell them to combine their business in one report where they cannot separate it.

Mr. MULLEN—As a feed report?

Mr. STREAM—Yes.

Mr. MULLEN—That will be easy.

Mr. LINDERHOLM—We do not keep separate accounts of the different things. When I left home they said it was possible to make up an estimate of business for three months combining the different kinds of grain that we deal in. But suppose we cannot make up that report showing the different grains, can we eliminate those items and give you what we have?

Mr. STREAM—The report as drawn was to cover all the grain field.

Mr. LINDERHOLM—We do some mixing but we do not do any grinding. We do some elevating.

Mr. STREAM—Do you do that for the trade?

Mr. LINDERHOLM—Occasionally and it is included in our transfer but we have no report of what that costs nor have we a record of it. Our expenses are all kept in a lump sum. The idea I had in mind was to give you an exact statement of our business as if we were to close that up as soon as we can esti-

mate the cars outstanding, just as we make up a statement for ourselves. I don't know how we can go any further.

Mr. STREAM—If you operate your elevator for the trade, is it not possible for you to keep separate your earnings from such earnings?

Mr. LINDERHOLM—We have an elevation account that includes not only transferring but the railroad elevation that we get out of the transferring. That is all in one account.

Mr. STREAM—Are you performing that for the trade or for yourselves?

Mr. LINDERHOLM—For both. We do very little for the trade. Most of it is done for our own account.

Mr. STREAM—There is no necessity for your filling out that report calling for your operations in mixing and drying and cleaning, if you perform that for yourselves. That goes in the result of your elevation operations.

Mr. LINDERHOLM—In other words, you tell me if I give you an exact statement of business done principally for ourselves that it would cover what you want?

Mr. STREAM—As I understand you to say, practically all of your business operations have been for yourselves?

Mr. LINDERHOLM—Yes. We have an account in our books showing what we got for transferring, but how many bushels I question whether we can give that without an undue amount of work. You would have to go through every item from the 1st of January to get that.

Mr. STREAM—That covers only three months' operations. I don't see why you should have much difficulty.

Mr. LINDERHOLM—Do you appreciate the number of items that go through our journals every month operating a terminal elevator? Our business is not very large, compared to others.

Mr. STREAM—I know I never had any difficulty in determining the results from corn, wheat or oats accounts shipped at the end of any day.

Mr. LINDERHOLM—I never figured that close this year.

Mr. STREAM—Your operation is a three months' operation, not a year's operation.

Mr. LINDERHOLM—I understand.

Mr. STREAM—We have had a great many complaints that reports could not be made out, that they were too difficult and cumbersome, but in every instance, when we demanded them and said they had to be made out, they have found a way. We had one fellow in the East say he would rather go out of business than make a report. He tells us now that he is preparing a report and that it is costing him \$600, but it is a very complete report.

Mr. LINDERHOLM—Then if I tell the boys to make the report by the 15th of May that is what is expected of me?

Mr. STREAM—Yes.

Mr. LINDERHOLM—That is what I want to know.

Mr. CORNELSON—Are these reports required by those not licensed?

Mr. STREAM—If you are not licensed as a grain dealer you do not need these reports. These reports must be made by licensed grain dealers.

Mr. TYNG—Where our business is a commission business and done without direct ownership, is a report of that required?

Mr. STREAM—The result of commission operations must be reported and the report must be filed by May 15th.

Mr. SHORTHILL—In this report for elevator operations you ask for stock on hand. How near do you expect these people to adhere to an exact inventory of stock on hand? You will realize that a running daily inventory does not tell the story on account of shrinkage, and that sort of thing. Sometimes that is very heavy. Sometimes that is very heavy on the same kind of grain, heavier than on others. The result cannot be told without taking an exact inventory. How near do you expect operators to confine themselves to an exact inventory? There are times when a country elevator cannot inventory for 90 days at a time. It is impossible to do that without shutting down, and at times it is impossible for them to shut down for 90 days.

Mr. STREAM—What is the difficulty?

Mr. SHORTHILL—They get full up to the roof and cannot move it.

Mr. STREAM—Their books show what they have taken into the house.

Mr. SHORTHILL—I am asking you how near you want them to report exactly what is in their houses? You know it is impos-

sible to report what the profit is until they know what their shrinkage and other losses amount to and because of their indeterminate knowledge of shrinkage they do not know that. Now, how close do you expect them to come to an inventory when it is a physical impossibility?

Mr. STREAM—They are not expected to weigh up.

Mr. SHORTHILL—Then what will satisfy you—a statement of receipts and shipments?

Mr. STREAM—What sort of a statement would an elevator man draw up for himself to satisfy himself as to the result of his business operations?

Mr. SHORTHILL—In a case of that kind we can do nothing but approximate it. We usually wait until the end of the year to tell where we are at, and then sometimes we get caught and have to wait 90 days to make a settlement.

Mr. STREAM—You know a country grain dealer can come very close to estimating his stock on hand.

Mr. SHORTHILL—I am talking about those times when it is a physical impossibility.

Mr. STREAM—Tell him to make up a report and if his conscience worries him about his report to add a letter to the report explaining how he arrived at his inventory and figures.

Mr. SHORTHILL—But you want some kind of an inventory?

Mr. STREAM—That will disclose his operations for the three months.

Mr. SHORTHILL—And you want to know each class of commodities?

Mr. STREAM—Yes, in other words, give me the gross results on his grains with his total expenses.

Mr. SHORTHILL—Of each kind?

Mr. STREAM—Yes.

Mr. PRICE—It would be to separate your expense account into a wheat, oats and corn account?

Mr. STREAM—No.

Mr. PRICE—Then we do not have to separate those accounts that way?

Mr. STREAM—No.

Mr. PRICE—Then it will be no trouble to fill these out.

Mr. STREAM—Do you imagine, Mr. Shorthill, that the country elevator man will have any difficulty in making out a report for the second period?

Mr. SHORTHILL—I think that the report is hedged about with a great lot of difficulties by being gotten up in one form for the entire country trade. It is necessarily complicated and confusing. There are difficulties and differences which we recognize as well as you that have to be adjusted. What I am asking you is what kind of an answer shall I make to business men who ask those questions? I am not criticising but I want a definite answer to know what is expected.

Mr. STREAM—In arriving at his inventory let him do the best he can and make a report to that effect and tell us how he arrived at it.

Mr. CALLAHAN—It says that all inventories must be based on costs and not on the market or replacement value. Going back to the 1st of January and running down to the following three months will make that a very difficult problem.

Mr. STREAM—If your books were kept in proper form it would not be difficult. I appreciate your difficulty in making a start and arriving at an inventory based on actual cost. If you will prepare your inventory and tell us how you arrived at the value that is all that is necessary.

Mr. CALLAHAN—How can the actual costs be ascertained?

Mr. STREAM—But we will expect your next report to show the actual cost.

Mr. CALLAHAN—We cannot show the actual cost.

Mr. SHORTHILL—That is, we shall show the actual value of wheat at the time the report is made, the market value?

Mr. STREAM—No. You start out with your inventory on January 1st. I appreciate, in arriving at that inventory, most grain dealers have taken the market value of stocks on hand on that date and it would be impossible to arrive at the actual cost of that inventory, and I should in starting my report certify that that value of the stock on hand January 1st represents the market value on that day. But we will expect your next report to show the inventory and actual cost.

Mr. CALLAHAN—Are you not always in the same position so far as ascertaining actual cost is concerned? Here is the grain that has changed identity twenty times. I don't know to-day what the identity of all the grain in a certain bin is. I tell you frankly, and, of course, without criticism that I don't know, and I would like to have some one tell me how to find out. I don't believe there is a single grain dealer or a corn dealer in the country who can tell the different costs of the grains in bins.

Mr. SHORTHILL—If a shipper handles wheat, corn and oats and if he gives to you the amount that he paid on the receipt of that stock, on each class, and his expense account, will that be sufficient?

Mr. STREAM—Yes.

Mr. CASSITY—Does that apply to wheat?

Mr. STREAM—Only to coarse grains.

Mr. DORSEY—I want to offer a vote of thanks for the South and for Texas, for the entire United States to Mr. Barnes, President of the Grain Corporation, and to his associates for extending an invitation to the various branches of the grain trade to come to New York and have this conference. I feel it is going to be worth a great deal to our Government and it will be worth something, I am sure, to the Food Administration to have the views of the various grain people as expressed hede. I am sure that Mr. Barnes' explanation of a number of questions that have come up here will be beneficial to our trade and those who attended this conference, and will be beneficial to the Food Administration in a closer co-operation in the Grain Trade. For that reason, Mr. Stream, I want to offer a rising vote of thanks to Mr. Barnes and to his associates for giving us this opportunity to hold this conference. (Many seconds.)

Mr. SAGER—I think that should be for the entire Grain Trade of the United States. If that is so I certainly want to add my second to the motion.

Mr. DORSEY—It certainly is so.

Mr. STREAM—All those in favor of the motion will rise. (Every man in the room rises and great applause.) The motion is carried unanimously.

Are there any more questions on COO and DOO? I believe if every grain dealer will try to make out an honest report, a

report to the best of his ability, and certify to that effect there will be nothing to fear.

The CHAIRMAN—Gentlemen, I thank you for your kind expression and I want to thank you all for coming. You have done us a lot of good. I am obliged to you for coming. I hope you have profited enough by it so that if you are invited again you will respond in the same generous, whole-hearted way (great applause).

Conference adjourned.



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